

PENSIONS POLICY INSTITUTE

PPPI

ANNUAL REPORT AND FINANCIAL STATEMENTS
1 FEBRUARY 2015 to 31 JANUARY 2016

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

Annual Report and Statement of Financial Activity

Contents	Page
1. A message from the Chair of Council	1
2. A message from the Director	2
3. Council's report	3
• Objectives and activities	3
• Achievements and performance	5
• Financial review	14
• Plans for the future	17
• Structure, governance and management	19
• Reference and administrative details	27
4. Independent auditor's report	32
5. Financial statements	34
• Statement of Financial Activities	34
• Balance sheet	35
• Cashflow statement	36
• Notes to the Financial Statements	37

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

Pensions Policy Institute
King's College
Virginia Woolf Building
22 Kingsway
London WC2B 6LE

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

Website: www.pensionspolicyinstitute.org.uk

A message from the Chair of Council

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

In my final report as Chair, I am incredibly proud of the success of the PPI during this busy and challenging year. As mentioned in last year's report, the PPI planned to relocate to new premises and to expand resources. It was a smooth transition to the new office and the PPI team expanded in a matter of months. This expansion enabled a considerable number of research reports and Briefing Notes to be published in the second half of the year. The expansion of the team has created capacity to extend our reach and continue to play a key role in contributing evidence and independent research into the ongoing pensions policy reforms.

The PPI successfully held an Election Briefing: Pensions event, for Supporting Members, ahead of the May 2015 General Election. Steve Webb MP (Pensions Minister), David Gauke MP (Financial Secretary to the Treasury) and Stephen Timms MP (twice Pensions Minister and also a previous Chief Secretary to the Treasury) provided an overview of their parties' pension policies. A Briefing Note highlighting the pensions policy positions of the parties was published following the event. Post-election, there were a number of modelling reports contributing to the debate on the future of pensions tax relief. Major reports were published completing the Transitions to Retirement series; comparing the regulatory frameworks for Defined Contribution (DC) pensions; and looking at the under-pensioned. In addition, the first report of The Future Book was launched. This will be an annual publication summarising in one place and commenting on the available data on the DC landscape, which we hope will over time show clearly the trends which are developing.

The PPI's success is only made possible by a wide range of individuals and organisations. I extend my continued gratitude to all the Supporting Members, Governors and organisations that commission research, provide grants or support the PPI in non-financial ways.

I extend my sincere thanks to Chris Curry and the team for all their hard work and to Council for their time, expertise and commitment. It has truly been a great pleasure to serve the PPI and its Council for the past ten years and as Chair for the last four years. I am delighted that Lawrence Churchill will be succeeding me as Chair, and I wish him and everyone involved with the organisation in whatever capacity all the best in advancing the expertise and reputation of the PPI.



Michael Pomery CVO
PPI Chairman

A message from the Director

Welcome to the Pensions Policy Institute's (PPI) Annual Report for the year ending 31 January 2016. The past year has been full and rewarding. Alongside the continued high level of activity in the pensions policy world, the PPI has also undergone some significant changes in the last 12 months.

To improve our resilience as an organisation, the PPI has expanded, growing both the modelling and policy research teams. In July 2015, Tim Pike joined us, heading up the modelling team, and Daniela Silcock was promoted to head up the policy research team. In September, Jennifer Summers and Sumayya Allam joined the research, finance and events teams, and we now have 11 full-time members of staff, compared to 8 in previous years. A bigger team brings its own challenges, and we have also restructured some of the team responsibilities. Sarah Luheshi as Deputy Director continues to lead the Research Programme. Maritha Lightbourne is now the Head of Finance and Operations, and Danielle Baker is now Head of Membership and External Engagement.

From September 2015, Hayley James, has been working with us during her PhD studies and she will continue to do so as she completes her thesis *Connecting policy with the personal: UK pension reforms and individual financial decision making*. The PPI and Manchester University (and in partnership with the Institute of Gerontology, King's College) is co-funding her studies.

This increase in staff numbers was made possible by a move to new accommodation in July 2015, still within King's College. Our new offices, as well as being larger, are brighter and with access to better facilities. Our only concern is that we are now rapidly filling the extra space!

Given that these major changes to the PPI happened at the same time as implementation of automatic enrolment, freedom and choice in pensions, the run-up to the introduction of the new State Pension, fevered speculation over pensions tax relief and shortly after a General Election highlights just how busy this year has been. And the fact that the team has managed to adapt to these changes while at the same time meeting increased demand for high quality, independent pension policy research reflects very well on them all. The report that follows demonstrates that the injection of new skills has proven to be beneficial, and has allowed the PPI to have had its most productive year to date.

I would like to thank the team for their positive attitude and hard work. I would also like to thank Council for their time, encouragement and support.

On behalf of the Council and the PPI Team, I would like to thank Michael for his leadership in his time as Chair, his unwavering support of the PPI and on a personal note for his guidance and assistance to me since I became Director.



Chris Curry
PPI Director

Council's Annual report

The Council is pleased to present the Annual Report and the Financial Statements of the Pensions Policy Institute (the 'Institute' or the 'PPI') for the year ended 31 January 2016.

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 2015.

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 Institute aims to be an authoritative voice on policy on pensions and the provision of 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. 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.

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 Institute 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.
- If the policy debate on pensions and retirement provision is informed by apolitical, independent and evidence-based research then all members of the public benefit.

- Any individual or organisation can commission research from the PPI provided:
 - The research falls within the Institute’s charitable objective;
 - The Institute 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, charitable trusts, smaller DB/DC schemes, local government authorities, Independent Governance Committees and smaller organisations that have an interest in pensions policy.

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 benefit of the public.

Research and dissemination

In meeting its stated aims the Institute undertakes a number of different types of research: Core Research, Commissioned Research and Research Grants. Core research includes Briefing Notes, information publications and responses and submissions to Government Consultations or Parliamentary Committees. Commissioned research, is earned income, undertaken by the PPI but funded by a third party and tailored to the needs and specification of the funder. Research grants are research funded by grant giving foundations for specific research projects. All research must meet the Institute’s stringent aims and objectives.

The PPI organises regular seminars and events at which PPI research findings are presented and discussed with Government Ministers, politicians, policy-makers, members of the financial services industry, unions, charitable representatives, consumer and employer representatives.

PPI research will have most immediate relevance for Government policy-makers 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 Institute 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.

Achievements and performance

The Institute currently measures performance throughout the year in various ways. Documentation is kept up-to-date of all activities undertaken by staff, the Institute monitors the use of PPI research in the press and collates statistics related to the PPI website. The Institute also gathers feedback after events and evaluations with commissioners of research and every few years the PPI conducts a Member's Perception Survey.

Staffing

The Institute expanded from eight full-time to eleven full-time staff during 2015/16, with two on a fixed term contract. The growth of the team has already benefited the quantity of research while maintaining the quality. In addition, the Institute also employed an intern over the Summer months (paid at the London Living Wage) and has created opportunities for her to engage with other organisations in the pensions industry.

Accommodation

As mentioned in last year's report, the Institute was expecting to be relocated to another King's College building. The move to Kingsway took place mid-July and the PPI's research was not impacted by the move. The new accommodation has enough space to house the eleven members of staff with some room to grow. The move has significantly increased the amount of expenditure on rent but Council are content that the rate is still reasonable for the area.

Governance

It was announced at the AGM in 2015 that Michael Pomery would be stepping down as Chair and from Council, and plans were put into motion for his successor. The recruitment process resulted in Lawrence Churchill CBE being offered the position as Chair-Elect. Lawrence was co-opted onto Council in January 2016 and will stand for election to the Council at the 2016 AGM. The Council extend their gratitude to Michael for his years of service.

Providing relevant and accessible information on the extent and nature of retirement provision

The PPI produces research reports, short Briefing Notes on topical policy issues, organises events, responds to major Government Consultations or Parliamentary Inquiries on policy on pensions and retirement provision and produces information publications which is made possible by the membership income.

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 into the models and the long-term assumptions are reviewed. As part of our ongoing investment in maintaining and developing the suite of models, the Model Review Board convened in 2015 where assumptions were reviewed and agreed.

The PPI responds, both written and orally, to various consultations and the responses are submitted and published on the PPI website. There has been a significant increase, 86%, in the number of responses and submissions that have been downloaded from the website compared to the previous year. This demonstrates progress against our objective to contribute fact-based analysis and commentary to the policy-making process that is accessible to others in the public debate on pensions policy.

It is important that all PPI publications are accessible to everybody and therefore all research is published on the PPI website and links made available on various social media platforms for free downloading. An email, alerting those who have signed up to the PPI's mailing list, is sent regarding the new research. The PPI's media contacts also receive a press release and an email when the publication is available. There is no restriction on these publications and therefore the PPI continues to meet its public benefit requirement.

As part of the membership scheme, the PPI has introduced an advanced embargoed copy of the press release and executive summary of major pieces of research for Supporting Members and Governors before they are made available to the general public.

This year, the PPI introduced an information gathering form to be completed before downloading the Pensions Primer to gather information on the types of individuals reading the Primer. The information gathered is enabling the PPI to ensure that the accessibility objective is being met. It also helps the PPI to be aware of the type of users who are both interested in and accessing the PPI's research which will help us to further extend the reach of our research.

Towards the end of the year, the PPI implemented a new media strategy to assist in extending the reach of the PPI's research and to ensure that the research is being publicised and therefore meeting another PPI aim of informing the public debate.

From time to time the PPI receives requests from foreign delegates to provide information on the UK pensions system. This year, the PPI presented, in-house, to Chinese, Danish, Dutch and Vietnamese delegations.

Contributing fact-based analysis and commentary to the policy-making process

The PPI produces factual, evidence-based reports outlining the potential outcomes for individuals and for government spending of particular policy directions and analysis of trends within the pensions landscape.

The policy research team uses data from the PPI models and research from external sources in order to conduct analysis of present and future policy issues and consideration of wider social and demographic effects taking place within the pensions and retirement landscape.

The PPI maintains a suite of models used to analyse the long-term outcomes of potential policy reforms. These represent the current pensions system and allow for particular scenarios to be modelled. The models can illustrate

projections of the impact on an individual's post-retirement income and the impact on future pensions systems revenue and expenditure cashflows to the Exchequer.

New modelling capability

Over the course of the year, smaller scale functional developments have taken place which have fed into modelling work used in various research projects. New functionality has been developed within the models and new modelling has been produced:

- Collective Defined Contribution (CDC) – further work was carried out on the model since its initial development in 2014.
- Behavioural modelling in the Dynamic Model – development of advanced modelling of English Longitudinal Study of Ageing (ELSA) data to investigate the behaviour of individuals at retirement following the introduction of freedom and choice. It allows for more complex rules around which individuals may take income drawdown, annuities or withdrawal of their entire pot.
- Potential pensions tax regimes – modelling was developed to allow the comparison of TEE and EET pensions tax scenarios. The capability has also been increased to assess the impact on identified individuals and the long-term aggregate costs to the Exchequer having accounted for the impact on pensions tax relief, National Insurance contributions and future pensioners income tax.

Model Review Board

The Model Review Board is a group of independent industry experts in modelling. This validates the assumptions and the PPI's approach and ensures there is oversight of the models. The Model Review Board met in May 2015 and reviewed and agreed the current assumptions used in the models.

The agreed basis for the assumptions have been implemented and used in all subsequent pieces of modelling. These have included the use of economic assumptions taken from the Office of Budget Responsibility (OBR), derived from their Economic and Fiscal Outlook (EFO) and Fiscal Sustainability Report (FSR). This ensures the models use assumptions which are regularly reviewed and updated and are consistent with current government analysis.

Strategic model review

A strategic review of the models is underway which seeks to identify any limitations, address areas for development, ensure the models meet the appropriate modelling standards which include the Institute and Faculty of Actuaries Technical Actuarial Standards for Modelling and to improve the understanding of the models and communicate their capabilities. This review will ensure that the models remain fit for the future.

Extending and encouraging research and debate on policy on pensions and retirement provision

Core research

The PPI produces short Briefing Notes on topical policy issues and produces information publications, responds to Parliamentary Inquiries or Government Consultations and speaks or presents at various events, all of which is made

possible by the membership income. At the end of January 2016, the PPI had published six Briefing Notes (five as core research and one as commissioned research). There have been 32,051 Briefing Note downloads from the website during the year which is a 67% increase from the previous year.

The PPI responds, both in writing and through oral evidence, to various consultations. The evidence is submitted and published on the PPI website. There has been a significant increase, 86%, in the number of responses and submissions that have been downloaded from the website compared to the previous year.

Commissioned research

Commissioned research is undertaken by the PPI but funded by one or more third parties. However, all research must meet the PPI's remit of independence and objectivity and be made publicly available. The PPI published five major research reports and six modelling reports. Two reports were the final reports in the Transitions to Retirement series, one report was the first of an annual report on DC pensions and the other two covered topics relating to the regulatory framework for DC pensions and the difference in pension income for particular under-pensioned groups in light of recent policy developments.

Research Grants

The PPI undertakes research funded by grant giving foundations for specific research projects. As mentioned in last year's report, the PPI began two research projects in 2014 that are being grant funded. See 'research outputs' for more details on the Wellbeing, Health, Retirement and the Lifecourse (WHERL) and Care and State Pension Reforms (CASPeR) projects.

Dissemination

Members of the PPI team have presented research and spoken on topical issues at various external events during the year. Members of the team have also submitted articles (The Institute of Chartered Accountants in England and Wales (ICAEW)) and had radio and TV interviews (BBC TV News, Radio 4 and Radio 5). The PPI have also participated in various workshops, round-tables, and dinners as well as attended various events throughout the year.

As part of the PPI Supporting Members Scheme, small lunches or dinners are arranged for members to get together and discuss current policy issues. They also help the PPI form its research agenda.

During 2015, the PPI held two lunches for Silver Level Members, kindly hosted by Gold Members BlackRock and AllianceBernstein (AB). A dinner hosted at the House of Lords, for Platinum and Gold Members, with Baroness Altmann CBE, the new Pensions Minister, as the guest speaker, was held in November.

The PPI also held the annual Supporting Member's event, the **Pre-Election Briefing**, in a Question Time format which was hosted by Just Retirement (Platinum Members). The event provided the opportunity to hear representatives from the three main political parties set out their thoughts on pensions and retirement saving policy. The event was chaired by Paul Lewis, host of BBC Radio 4's Money Box Live and a PPI Governor, and the

representatives were the Pensions Minister of the day Steve Webb MP, David Gauke MP (Financial Secretary to the Treasury) and Stephen Timms MP (twice Pensions Minister and also a previous Chief Secretary to the Treasury).

The PPI encourages launch events, whether a large seminar or small round-table, of all major research reports to allow the content of the research to be presented and discussed by those involved in the policy making process and the pensions industry. The PPI held four major report launches and five round-tables which were attended by around 330 people in total, representing a broad range of interests including Government, politicians, policy-makers, the financial services industry, unions, the third-sector, consumer and employer representatives. The presentations and write-ups from these launches are made freely available on the PPI website. There has been a significant increase of 93% in event publications (presentations and write-ups) that are being downloaded from the PPI website and an increase in requests from external individuals to use PPI charts.

The PPI also held two dinners, hosted by JLT (Platinum Supporting Members) and Legal and General (Silver Supporting Member), with a handful of non-member organisations to try to encourage these organisations to engage in the research and the policy debate.

The PPI requests feedback from those we work with and those that attend PPI events to ensure that we are meeting our objectives. Feedback is generally positive but where the PPI has received constructive criticism we are constantly adapting working practices and the way research is presented to address any concerns. The format of the seminars have received positive feedback as guests feel they are able to contribute and ask questions, the information and knowledge provided is of the right level, the timing suits most attendees, the speakers receive on average a 63% good and 17% excellent rating and the events overall receive a 61% good rating and 30% excellent rating.

Being a helpful sounding board for providers, policy-makers and opinion formers

The PPI has also continued to see high levels of parliamentary and government engagement, meeting with members of both of the Houses of Parliament, Treasury officials and Government officials. The PPI also has regular meetings with representatives from various parts of the pensions and financial services industry.

The PPI responded to the Work and Pensions Committee Inquiry's [Pension freedom guidance and advice](#) and [Understanding the new State Pension](#), the Treasury's consultations on [Strengthening the incentive to save: a consultation on pensions tax relief](#), the [Public financial guidance](#), and to the Financial Conduct Authority's [Financial Advice Market Review \(FAMR\)](#).

The PPI was successful in a joint bid with IFF Research to produce the [Department for Work and Pensions \(DWP\) Employers Pension Provision Survey 2015](#). The survey seeks employers views on the types of pension arrangement that they have for their employees. The PPI provided input into

the questionnaire design and interpretation of results, as well as put the findings into context with ongoing policy development.

The PPI was an expert consultant to the [Institute for Employment Studies: Evidence on employment practice for the Teachers' Longer Working Review](#). The PPI fed into and reviewed the literature review to ensure that the potential impact of the Teachers' Pension Scheme on working longer is understood and the relevant research was accurately represented in the project.

Informing the public debate on policy on pensions and retirement provision **The policy context in 2015**

The Coalition Government made a number of announcements regarding pension reform in 2014 that included investment charges, tax changes, the new flat-rate State Pension, pensioner bonds and the announcement of freedom and choice and free guidance sessions, that would start to impact pensioners in 2015. There was the continued roll-out of automatic enrolment and the General Election resulting in a change of Government.

Research output

During 2015, the PPI published six Briefing Notes and eleven research reports, compared to six research reports and seven Briefing Notes in the previous year. The expansion of the modelling team enabled the PPI to publish six modelling reports of which two were updated from the previous year.

The PPI also responded to five consultations, presented at twenty seven events, contributed in various round-tables, workshops, and dinners, submitted articles and were interviewed for radio and TV discussing pensions issues and providing evidence based comments. The PPI also presented on the UK pensions system, in-house, to Chinese, Danish, Dutch and Vietnamese delegations.

Briefing Notes

As mentioned in last year's report, the PPI published [Briefing Note 73 – Defined Contribution default funds and investment governance](#) in March 2015. This was the second most downloaded Briefing Note during the year.

In April 2015, before the General Election, the PPI published [Briefing Note 74 – PPI 2015 Election Briefing: Pensions](#) that highlighted the pensions policy positions of the main political parties in order to give some indication of how different parties might affect the future direction of pensions policy. This Briefing Note was the most downloaded Briefing Note and the ninth most downloaded document from the PPI website in the year.

Age UK sponsored [Briefing Note 75 – Who is ineligible for automatic enrolment?](#) in September 2015, and hosted a round-table as part of the research for the Briefing Note. This Briefing Note received wide coverage in the media and paved the way for the PPI's larger report on the under-pensioned.

The initial research for [Briefing Note 76 – Financial education and retirement: international examples](#) took place in the previous financial year but further work was carried out to reflect the new pension flexibilities changes that were

announced in the 2015 Budget. The Briefing Note was published in September 2015.

One of the benefits of Platinum level membership is an option for PPI experts to be available for one event in the member organisation and/or the PPI to undertake two days tailored research relating specifically for the member organisation's requirements. J.P. Morgan Asset Management used both these benefits and hosted a round-table to discuss the issues of adequacy under the new pension flexibilities. They also sponsored [Briefing Note 77 - Measuring adequacy under the new pension flexibilities](#) which was published in October 2015.

Following research on a larger report comparing regulatory frameworks for DC pensions, the PPI published [Briefing Note 78 - The impact of DC regulation on employer scheme choice](#) in December 2015.

Information publications

The [Pensions Primer: a guide to the UK pensions system](#) provides an overview of the UK pensions system and is intended for people wanting to learn about the UK pensions policy framework. The guide is updated annually to reflect any changes in policy. There were 8,428 individual downloads of the primer from the PPI website during 2015.

The PPI maintains a compendium of key facts and statistics on pensions and retirement provision in the UK. The aim is to collate into a single place a range of different statistics on demographic change, key State Pension and private pension indicators. The [Pension Facts](#) key tables are updated as new data becomes available. There has been a 57% increase in downloads of Pension Facts this year compared to last year.

Responses and Submissions

In August 2015, the PPI responded to the Work and Pensions Committee Inquiry: [Pension freedom guidance and advice](#), in September 2015 to the Treasury's consultations on [Strengthening the incentive to save: a consultation on pensions tax relief](#), in November 2015 to the Work and Pensions Committee Inquiry: [Understanding the new State Pension](#). In December 2015 the PPI submitted a response to the Financial Conduct Authority's [Financial Advice Market Review \(FAMR\)](#) and to the Treasury's [Public financial guidance Consultation](#).

Research reports

Research into the [Transitions to Retirement](#) series started in 2014 with two reports from the series being published. In 2015 the research continued and [How might UK pensions landscape evolve to support more flexible retirements?](#) and [Myths and rules of thumb in retirement income](#) were published in April and September. Both reports were in the top five most downloaded reports of PPI research published in the year.

[How might the UK pensions landscape evolve to support more flexible retirements?](#) that was published in April was jointly commissioned by The Investment Association and The People's Pension. It examined how people

access pension savings and built on previous reports using evidence from Australia, Ireland, New Zealand and the United States and considered how the UK pension and retirement income system might evolve in the context of changes, in particular, the new flexibilities introduced from April 2015.

Myths and rules of thumb in retirement income was the second stage of a two stage report commissioned by State Street Global Advisors (SSGA). It considered how rules of thumb might help retirees to think about and manage their DC pension savings and reflects the discussion held at a round-table, hosted by SSGA and conducted by the PPI. The first report published in January 2015 consisted of qualitative research with individuals approaching retirement exploring their preference for how they might want to draw their retirement income.

The consortium of research sponsors include Age UK, Fidelity, The Investment Association, Partnership, State Street Global Advisors, The Pensions Advisory Service (TPAS), The Pensions Regulator (TPR) and The People's Pension.

The Future Book: unravelling workplace pensions [2015 Edition] is the first edition of an annual PPI publication, currently commissioned by Columbia Threadneedle Investments for the next three years, which sets out available data on the DC landscape. The Future Book provides commentary and analysis on DC trends by leading thinkers in the pension policy world, all with an end-consumer focus. The report was published in October.

Comparison of the regulatory frameworks for DC pensions was commissioned by Scottish Widows and published in October 2015. The research draws on discussions conducted with experts on regulation.

Age UK, the Joseph Rowntree Foundation, The People's Pension and the TUC commissioned the PPI to revisit the under-pensioned research previously conducted in 2003 and 2008 that concluded that women, disabled people, and people from ethnic minority groups are more likely to have the characteristics associated with lower pension incomes. The **Under-pensioned 2016** was published in March 2016 and explored how state and private pension incomes have changed for people from these groups as well as for carers and the self-employed. The report measures whether, and by how much, differences in pension income have reduced and how they might evolve in future, in the light of recent policy developments.

Research started in 2015 exploring the demand for and supply of financial advice including some options to help customers get the best possible outcomes at retirement. The **Consumer financial advice and guidance for high risk DC savers**, report commissioned by LV=, was published in March 2016 and aims to stimulate discussion around these options, rather than providing any quantitative analysis of the likely outcomes of each option.

Standard Life Group have commissioned the PPI to undertake research, which began at the end of 2015, investigating the meaning of **Value for Money** and the interaction between the different characteristics that form this definition. The research was launched in May 2016.

Modelling reports

The expansion of the modelling team has increased the PPI's modelling capacity and the PPI produced six modelling reports of which two were updated from the previous year.

In October 2015, the PPI published analysis of [TISA proposals for pensions tax relief](#).

The PPI analysed [Aviva's proposals for a single rate of pensions tax relief](#). This report, originally sponsored by Friends Life and published in March 2015, was updated and published in October 2015.

[Comparison of pension outcomes under EET and TEE tax treatment](#) was published in October 2015. The report formed part of the PPI's response to the Treasury's consultation: Strengthening the Incentive to Save, and included new analysis undertaken for the ABI.

[Modelling Collective Defined Contribution \(CDC\) Schemes](#), published in November 2015, is the result of an independent assessment of the potential outcomes from different CDC models compared to an individual DC system, originally sponsored by DWP in 2014.

The Social Market Foundation (SMF) commissioned the PPI to undertake modelling of the impact on individuals, drawing on international examples of possible decumulation patterns. The report, [Retirement funding: analysis of retirement income patterns](#), summaries the methodology, assumptions and key findings from the modelling and was published in November 2015.

In November 2015, the PPI also published [Automatic Enrolment contribution scenarios post 2017](#). The TUC commissioned the PPI to model a selection of scenarios that vary contribution levels and methods of increasing contributions, and to consider their impact upon aspects such as the size of the accumulated pension pot and the amount of income available in retirement for an individual. Each scenario was applied to four individual profiles identified by the TUC.

Collaborative working

The [Wellbeing, Health, Retirement and the Lifecourse \(WHERL\)](#) is a research project investigating ageing, work and health across the lifecourse. This 3 year interdisciplinary consortium (including King's College, University of Manchester, UCL and the University of Toronto) is funded by the cross-research council Lifelong Health and Wellbeing (LLHW) programme under Extending Working Lives. The research will be examining a crucial question for ageing societies: how inequalities across the life course relate to paid work in later life in the UK. This issue is of growing importance since the UK Government, in common with many other governments across the world, is rapidly extending the working lives of older adults through the postponement of State Pension Age (SPA) and other measures. These policy reforms affect millions of people, yet their implications for health and wellbeing are unknown. For example, do these policies harm, benefit or have little effect on the population? To answer this, the research will aim to understand the

lifelong drivers affecting the complex relationship between paid work in later life, health and wellbeing. Findings from the different aspects of the project have been disseminated in various academic avenues.

The [Care and State Pension Reforms \(CASPeR\) Project - Understanding the interactions between state pension and long-term care reforms in Great Britain](#) is a collaborative consortium project (with the University of East Anglia, PSSRU and LSE). The project funded over two years by the Nuffield Foundation started in 2014, investigating the long-term impacts of both long term care and State Pension reforms and their potential interactions.

In April 2016, major reforms to State Pensions and long-term care were implemented in Great Britain and England respectively. Their combined effects have received little attention despite interactions between the two systems. The long-term effects of both sets of reforms depend on how details of the systems are set in the intervening years, and on how policies in other parts of the welfare system evolve. The research investigates the long-term impacts of alternative ways in which current pensions and long-term care financing reforms may evolve over the next 40 years to ensure that there is widespread appreciation of the implications of any changes which may have significant long-term effects. The consortium published a short report [Interactions Between State Pension and Long-Term Care Reforms: An Overview](#) in November 2015.

Financial review

The PPI has three main sources of income: income from the Supporting Members Scheme, commissioned research and research grants. The balance of this income is important to ensure that the PPI can continue to provide research that concerns all aspects of pension and retirement income provision policy.

The PPI's core research and information activities are funded by regular donations made by Supporting Members. There are four levels of membership: Platinum, Gold, Silver and Associate. Membership income funds core activities such as factual 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 not only essential for the ongoing viability of the PPI as it provides a regular stream of income but the diversity of Members is crucial to the PPI's independence and impartiality. We are encouraged that all but one of our existing Members in 2015 have renewed their membership of the PPI for 2016.

The Associate Level was launched in July 2015 to provide the opportunity for smaller entities to have a closer relationship with the PPI and engage in pensions policy.

We welcome Brian Shearing and Partners Limited, Clark Benefit Consulting Limited, Greater Manchester Pension Fund, Lancashire County Pension Fund, Lincoln Pensions Limited, Occupational Pensions Defence Union (OPDU),

Pendragon (the new Associates), LV= (Platinum Member) and MFS Investment Management (Gold Member) who joined during the year. At 31 January 2016, the PPI had seven Platinum Members, eleven Gold Members, nineteen Silver Members and seven Associates. The PPI is extremely grateful for the continued support of the Supporting Members. (Details of current Supporting Members are listed on page 29 and 30).

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

The PPI also undertakes specific bespoke commissioned work, provided it is published freely and fits with the PPI's independent status, meeting the stringent PPI objectives and public benefit criteria.

In 2015/16, PPI research was commissioned by Age UK, the Association of British Insurers (ABI), Aviva, Columbia Threadneedle Investments, IFF Research, LV=, Partnership, Scottish Widows, Standard Life Group, State Street Global Advisors, the Institute for Employment Studies, The Investment Association, The Joseph Rowntree Foundation, The Pensions Regulator and The People's Pension, the Social Market Foundation, TISA and the TUC.

Research that is carried out across financial years is treated, for accounting purposes, as deferred income. The research that this applies to is the Under-Pensioned 2016 which was launched on 1st March 2016, the LV= research on consumer financial advice which was launched on 8 March 2016 and the research for Standard Life on the value for money which was launched on 4 May 2016.

The PPI makes applications to Charitable Trusts and Foundations who award research grants for research in the PPI's areas of interest. The grants from the Nuffield Foundation via the University of East Anglia and from the ESRC via King's College continued throughout the year.

Investment policy

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 Institute's funds are held in cash as the Council do not think it prudent to invest income for the longer-term. However, the Council takes into consideration the best rates of interest and the ethicality of the banks which holds the Institute's funds.

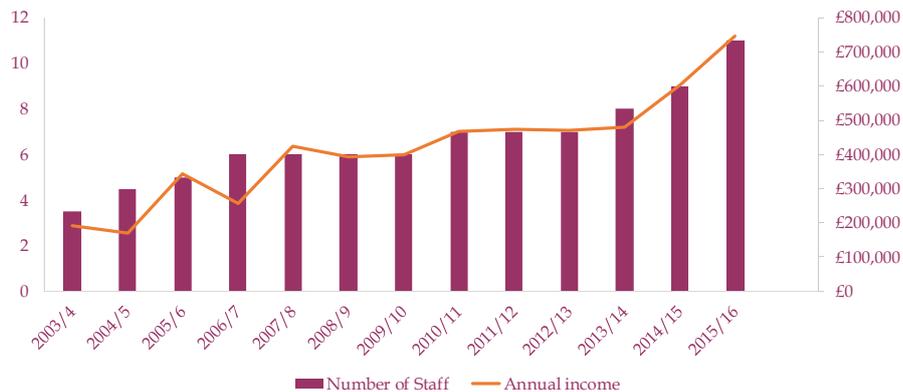
Results for the year

Income has increased in 2015/16 by 24%, to £746,982 from £603,042 in 2014/15, due to an increase in all three income streams. Expenditure is up as expected by 16% to £699,099 (2015: £601,317), due to an increase in headcount and rent but it also includes some one-off costs on the staff satisfaction survey and half of the cost for the review of the PPI's employer's pension scheme.

PPI headcount and income



Number of staff (FTE - LHS) and Annual Income (RHS)



The PPI reported in last year's Annual Report that it would seek to achieve a small surplus to finance the PPI's expansion from 8.8 FTE to 10.4 FTE. We are pleased to report that the PPI has exceeded this objective and achieved the expansion to 11 FTE in 2015 with a surplus of £47,883 compared to £1,726 in 2015.

The surplus arises from a combination of higher income, expenditure being controlled and a delay in the relocation and hiring of additional staff which took place in the second half of the year rather than as planned in the first half.

Reserves policy

The Council has established a reserves policy, which ensures an adequate level of funds is maintained to allow the Institute 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 Institute's reserves should be equivalent to six months' operating costs. For the financial year ended 31 January 2016 this equated to £344,410 (2015: £251,375). The reserve level allows 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 PPI received deferred income of £188,189 (2015: £191,938) and at the end of the financial year, 31 January 2016, the total unrestricted reserves were £351,623 (2015: £303,740). Unrestricted reserves excluding amounts tied up in fixed assets were £343,802 (2015: £295,728).

The level of reserves is examined quarterly and the policy is reviewed on an annual basis. The Council undertakes a review of the income streams, the

Supporting Members Scheme and the reserves policy to ensure that the PPI continues to mitigate the risk of insufficient funding which has been identified as a major risk to the Institute.

The level of required reserves (on the existing basis) that has been calculated for 2016/17 is £406,770 based on the Institute's expenditure of 11 FTE and a significant increase in rent. The Council are aware that in order to meet this level, the Institute will need to plan for a surplus over the next few years. Although the target for the next year is challenging the Council is confident there is enough income being secured to set this target.

Plans for the future

Staffing

In addition to the current training and development support of a PhD student, Hayley James, in partnership with Manchester University and the Institute of Gerontology, King's College London, the Institute will support another PhD student in partnership with the Department of Mathematics at King's College London. **The Asset Liability Management of Longevity Risk**, will fill an important evidence and modelling gap in the ongoing policy debate surrounding pensions and retirement income in the UK, and in particular provide important insight into the options available for drawing retirement income from DC pension funds. The project will provide a unique opportunity to combine the rigorous academic financial modelling expertise available through the Maths Department with the policy influence and networking of the Institute.

The Institute's staging date for automatic enrolment is April 2017. A review of the PPI's employer pension arrangements to meet this requirement is now underway. The PPI is likely to bring forward the staging date once the review is complete.

Governance

The current Chair, Michael Pomery CVO, will stand down at the 2016 AGM. The Council welcome **Lawrence Churchill CBE** as **Chair-Elect**. Lawrence will stand for election to Council at the AGM in June 2016 and, if elected, will become the new Chair of the Institute's Council.

A strategy day has been scheduled for June 2016 for Council to discuss and review the Institute's governance and funding.

Every few years, the Council undertake a Council Evaluation Exercise, this is due to take place in 2016.

Performance review

The Institute is conducting a **Membership Perception Survey** as part of the wider review of the PPI's income streams. A **Perception Audit** is also planned to take place this year to gather information about the reputation of the Institute.

Providing relevant and accessible information on the extent and nature of retirement provision

The Institute will continue to keep abreast of the current and potential future policy issues that could impact on pensions and retirement provision.

The Institute will continue to implement its media strategy by providing content on social media sites, for example, LinkedIn, Mallowstreet, Twitter and other platforms to ensure the research is widely accessible. Interaction on social media is linked back to the Institute's website to contribute to the monitoring of the Institute's reach.

Exploratory work is currently under way to further develop the PPI's website.

Contributing fact-based analysis and commentary to the policy-making process

The strategic review of the Institute's models will continue to ensure that they remain fit for the future. The policy research team will continue to use data from the models and research from external sources in order to conduct analysis.

Extending and encouraging research and debate on policy on pensions and retirement provision

The Institute's activities will continue in the same way and also plans to introduce knowledge sharing seminars on the UK pensions system. Further details will be communicated later in the year.

Being a helpful sounding board for providers, policy-makers and opinion formers

The Institute will continue to be available to policy-makers, providers and opinion formers and respond to various consultations.

Informing the public debate on policy on pensions and retirement provision

2016 has already been a busy start to the year with the following research output:

Briefing Note 79 – Recent developments in the Local Government Pension Scheme (LGPS) was published in February 2016 and it summarises the reforms to the LGPS and highlights key areas within the criteria scale, cost, governance and infrastructure.

Other Briefing Notes in 2016 will cover topics on Independent Governance Committee's including results from a survey from the chairs, Guaranteed Minimum Pension (GMPs), perceptions of ageing on pension planning, small employers and automatic enrolment, Lifetime ISAs, and EIOPA stress test quantitative assessment. The PPI welcomes suggestions for possible topics for future Briefing Notes.

Pension Facts will continue to be updated when data becomes available.

Two research projects that commenced in 2015 have now been published. The *Consumer financial advice and guidance for high risk DC savers*, report commissioned by LV=, was published in March 2016 and *Value for Money*, commissioned by Standard Life Group, was published in May 2016.

In March 2016, the Resolution Foundation held an event on *the future changes to tax relief*. The PPI was commissioned to estimate how a reduced annual allowance and lower single rate of tax relief might interact in future to keep the costs of the tax relief system below the 'current' cost. It also looked at the potential reduction in contributions caused by a decrease in the annual allowance and considered its impact upon individuals.

The Pensions Primer: a guide to the UK pensions systems will be updated following changes announced after the 2015 publication and the 2016 Budget and published will be in June 2016.

The second edition of *The Future Book*, the annual PPI publication, currently commissioned by Columbia Threadneedle Investments, provides commentary and analysis on DC trends by leading thinkers in the pension policy world, all with an end-consumer focus. The second edition is due to be published in September 2016.

The PPI is currently putting together a consortium of funders to commission an update of a previous PPI report on the pensions landscape. *The new pensions landscape* will look at the potential impact of all the reforms that have taken place in recent years and consider the likely outcome for individuals as a result of combining the different reforms.

The PPI is also planning to undertake research on *financial engagement* that will build on recent PPI research on the complexity of decision making and perceptions of retirement. The research output is likely to be a *series of reports funded by a consortium*.

New research will be disseminated on the *Wellbeing, Health, Retirement and the Life Course (WHERL) project*. The work programmes were presented to the Department for Work and Pensions in February 2016 and at an event hosted by Prudential (PPI Platinum Members) in April 2016. *The launch of the entire project is scheduled for 20 June 2017*.

The PPI will published new research on the *Care and State Pension Reforms (CASPeR) project* when it becomes available. A Briefing Note on this was published in February 2016 and further Briefing Notes are planned throughout 2016. A launch event will take place when the research is complete.

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.

President of the Institute

Baroness Sally Greengross OBE is the PPI's President. She has been a crossbench (independent) member of the House of Lords since 2000 and chairs three All-Party Parliamentary Groups on ageing and older people. In December 2006, Baroness Greengross became a Commissioner for the Equality and Human Rights Commission. She is currently Chief Executive of the International Longevity Centre UK and, having been Director General of Age Concern England from 1987 until 2000, is now their Vice President.

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.

Governors are selected based on their expertise in pensions, retirement or finance, they are invited by Council (as detailed in the constitution) in a personal capacity and they are responsible for helping to preserve the Institute's independence, impartiality, and ensure that no interest group is able to exert undue influence on the Institute's work. Although Governors are responsible for helping to preserve the independence of the PPI, the role of Governors is non-executive and Governors are not responsible for PPI work, and do not speak on behalf of the PPI.

From time to time Governors are approached to seek their assistance in peer reviewing research papers, chairing meetings, assistance with securing funding for research and any other activities associated with furthering the Institute's charitable objective. Governors are free to accept or reject such requests for assistance.

105 Governors served during the period ending 31 January 2016 and their names are set out on page 28.

Council Members' responsibilities

The Council Members (who are also directors of the 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 and Charity 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; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Council Members are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the Council Members is aware at the time the report is approved:

- There is no relevant audit information of which the charitable company's auditors are unaware; and
- The Council Members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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.

Council Members who served and which Sub-Committee they served on for the year ended 31 January 2016 are listed on page 27.

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.

At the Annual General Meeting on 15 June 2016, 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 15 June 2016 are: Laurie Edmans CBE, Michael Pomery CVO, Joanne Segars OBE and Kevin Wesbroom. Laurie, Joanne and Kevin have indicated that they will stand for re-election.

Organisational structure and decision making

Council Members are directors for the purposes of company law and trustees for the purposes of charity law. The Council is collectively responsible for the strategic direction of the Institute and to ensure the Institute complies with charity law. Council Members are elected and co-opted in accordance with the constitution. Council Members are drawn from the Governor body and are nominated and elected by the Governors at the Annual General Meeting (AGM) each year. The Council ensure that the wide range of expertise and skills are brought to the Institute.

The Council meets quarterly to review the performance of the Institute and to authorise strategic decisions. They also convene a strategy day to discuss strategic issues outside of the routine meetings. The Council have the power to appoint **Sub-Committees** of which the Institute has four:

- The **Finance Sub-Committee** reviews the Institute's short and medium term financial planning arrangements, including regular reviews of the Institute's risk register, and ensures the Institute meets all of its statutory accounting requirements.
- The **Funding Sub-Committee** reviews the Institute's funding strategy and targets including the review of the Supporting Members Scheme and ensures the Institute acts in accordance with current best practice in fundraising for a research charity.
- The **Governance Sub-Committee** reviews the general governance structure of the Institute on a regular basis, makes recommendations for how Council reviews its performance, carries out the annual skills audit for Governors and Council and oversees the arrangements for the Annual General Meeting.
- The **Remuneration Sub-Committee** is responsible for approving the Director's proposed remuneration package for PPI staff and the recommendation to Council for the Director's proposed remuneration on an annual basis.

The **Company Secretary** is responsible for ensuring that the Institute complies with standard financial and legal practice and maintains a high standard of governance. The Institute's Company Secretary is currently the Director, Chris Curry. However, this will be changing during 2016 with Maritha Lightbourne, the PPI's Head of Finance and Operations, taking on this role.

The **Chair of Council** is responsible for providing leadership and direction of the Institute's Board of Council and management of the Director. The Chair is elected by the Council from amongst their number. In the event that there is no candidate nominated for the position from their number the Institute convenes a Chair selection panel and the position is advertised externally. At the 2015 AGM, **Michael Pomery CVO, Chairman** announced that he would be

retiring from Council at the 2016 AGM. Michael was elected Chairman of the PPI Council in January 2012 and has been a member of the Council since 2006.

The vacancy for Chair of Council was advertised and the Council are pleased to announce that **Lawrence Churchil CBE** was co-opted on to Council and appointed **Chair-Elect**. Lawrence will stand for election to Council at the 2016 AGM, and once elected, he will become the Chair of Council.

A review of the **skills and expertise** on the Council is undertaken annually. This year the Council concluded that broadly the PPI Council has the right set of skills and expertise, pensions, insurance and investment industry, charity, accountancy, legal and actuarial, to enable it to govern the PPI effectively. However, there will be a focus to seek more academic expertise.

Induction support and a Council Member information pack which includes the history and current activities of the PPI, details of the PPI's policies and procedures and governance and management information, is provided for all new Council Members. Council Members are encouraged to attend seminars and meetings relevant to their role as charity trustees.

Conflicts of Interest Registers (both situational and transactional) are kept up-to-date and reviewed by Council on an annual basis. The PPI also keep a note of **Related Party Transactions** where Council Members who are employed by or may appear to have influence on organisations who are Supporting Members or commissioners of research. The details are in the Notes to the Financial Statements on page 44.

PPI Staff

The **Senior Management Team** consists of **Chris Curry, Director** of the Institute with overall responsibility for leading and managing the PPI, and **Sarah Luheshi, Deputy Director** of the Institute with overall responsibility for the research programme. Chris originally joined the PPI as Research Director in July 2002 and was responsible for the research programme for eleven years. He became the Director in 2013. Sarah joined in 2015 with 30 years' experience in the financial services industry which includes extensive international strategic and management consultant experience.

The **support staff** consists of the **Head of Finance and Operations**, whose responsibilities are for the day-to-day operational duties of the Institute including accounts and HR, and the **Head of Membership and External Engagement**, who is responsible for events, PR and day-to-day management of the Membership Scheme. Both provide support to the Senior Management Team.

The research team comprises of the Policy Research Team and the Modelling Team. The **Policy Research Team** consists of two permanent staff, the **Head of Policy Research** and the **Senior Policy Researcher**, and two fixed-term staff, the **Policy Researcher** and a **Policy Research and Admin Officer**. The Modelling Team consists of three permanent staff, the Head of Modelling, the **Senior Policy Analyst** and the **Policy Modeller**. The full list of the Institute's staff is included on page 29.

Remuneration policy

The Institute is committed to ensuring that its staff are paid fairly and in a way that ensures it attracts and retains the right skills to have the greatest impact in delivering our charitable objectives.

In accordance with the Charities SORP, the Companies Act 2006, and the Charities Act 2011, the Institute disclose the following:

- Any payment made to Trustees (Council Members) (Council Members do not receive 'pay' although they are entitled to claim for appropriate expenses). In 2015/16, two Council Members received reimbursement for expenses.
- The number of staff in receipt of more than £60,000 (in bands of £10,000) and pensions and other benefits of key staff (personnel) are detailed in the Notes to the Financial Statements.

The Institute has a Remuneration Sub-Committee, which meets annually, and is comprised of the Institute's Chair, two other Council Members with the relevant skills and expertise in HR and employee benefits and the Director who sets the pay for all staff. The Director does not have a casting vote and will not be present for any discussions about the Director's remuneration.

The main responsibilities of the Sub-Committee are:

- To review and determine the remuneration package of the Director on an annual basis (or more frequently if considered necessary), having regard to other comparable organisations and such other factors as the Committee considers relevant.
- To review and agree the Director's proposals for salary increases/bonuses for staff on an annual basis in time for the year end 31 January, and on other elements of the PPI staff remuneration scheme as necessary.
- Consult the Chair of the Finance Sub-Committee about the overall affordability of the remuneration decisions.

The objective of the policy is to ensure that the Institute's staff are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the Institute's success.

The appropriateness and relevance of the remuneration policy is reviewed annually including comparisons with other charities ensuring the Institute remain sensitive to the broader issues e.g. pay and employment conditions elsewhere. The Institute does not employ interns without pay and we pay more than the National Living Wage (NLW) for all our staff.

All staff received a performance bonus at the end of 2015/16. The remuneration and appraisal policy was reviewed and amended in 2015. With effect from 1 February 2016, the Institute has adopted a new remuneration and appraisal policy. The appraisal year now runs from 1 December to 30 November to allow for appraisals and pay awards to be properly based on a full-year's performance. Pay awards each year will contain an element of salary growth, broadly inline with price inflation, and a conditional performance related bonus subject to the financial position of the Institute.

The Institute have also introduced a matching contribution scheme to encourage higher employee pension contributions. The initial employer contribution level is set at 8% with an additional contribution for every additional 1% employee contribution made up to 4%. The new scheme operates under salary sacrifice although employees have the choice to opt-out. Additional employee benefits have also been introduced: the purchase of additional annual leave, the facility to make charitable donations direct from salary, season ticket loans, support and encouragement for voluntary working.

Although there is no formal scheme, the Institute explores, where possible, external secondment and/or job exchange opportunities, and accommodates requests for extended unpaid leave or sabbaticals.

Risk management

It is the responsibility of Council as a whole to monitor the risks posed to the ongoing viability and ability of the Institute to fulfil its charitable objective. All areas of risk, governance, operational, financial, compliance, environmental and external are identified and set out in the PPI's Risk Register.

The Council regularly assesses the major risks to which the Institute is exposed, in particular those related to the finances, operations and reputation of the Institute, and is satisfied that systems are in place to mitigate its exposure to these major risks.

The major risks identified by Council for 2016 continue to be insufficient funding and reputational risks. However, Council is confident that there are internal controls and measures to mitigate these risks and particular actions, such as reviewing the Institute's funding strategy and Membership Scheme will assist in strengthening these measures.

The Council have delegated responsibility to the various Sub-Committees but each Sub-Committee reports back to the Council for a collective decision on any issues.

Charities with income below £1 million and assets below £3.26 million are not required to undertake a full audit. The Council is aware that the Institute's gross income and assets are below the audit threshold. However, the Council have agreed that it is important to be transparent and have decided to have an external audit of the finances and financial procedures carried out each year. The auditor submits an Audit Findings Report to the Council and meets with the Finance Sub-Committee at least once a year without staff present to discuss the PPI's financial controls, procedures and overall financial position.

The Council does not see it necessary to have a dedicated research committee but ensures that at least two Council Members review the Institute's major pieces of research. Council Members and Governors are selected to sit on specific research steering groups and the Institute has Research Procedures that are designed to ensure appropriate quality assurance of research and to mitigate the reputational and operational risk that could arise from the PPI issuing or external resources circulating factually inaccurate or misleading research.

The Institute also has a dedicated Model Review Board consisting of a group of independent industry experts in modelling. Each member contributes in a personal capacity and results and analysis are the responsibility of PPI staff and not members of the Model Review Board. They provide guidance regarding the modelling capability and assumptions used. The group provide guidance regarding the modelling capability and assumptions used. This validates the assumptions and the PPI's approach and ensures there is oversight of the models. Members of the Model Review Board (as at 31 January 2016) are detailed on page 30.

To preserve the Institute's independence and impartiality the Council ensures that there is a skills and expertise audit completed by the Governance Sub-Committee annually and an information gathering exercise undertaken amongst the Governors to update the Institute's records of their skills, expertise and interests completed every 2-3 years.

Auditors

A resolution proposing that haysmacintyre be re-appointed as auditors of the company will be put to the Annual General Meeting on 15 June 2016.

Reference and administrative details

The Council is very grateful to the many individuals and organisations that support the work of the Institute.

Institute President

Baroness Sally Greengross OBE
Appointed 2004

Council Members and Sub-Committees

Professor Nicholas Barr
Appointed 2008

Retired from Council in June 2015

Duncan Brown
Appointed 2011, re-elected 2014

Governance and Remuneration
Sub-Committees

Chris Curry (ex-officio)
Appointed 2013

Institute Director and Company Secretary
Finance, Funding, Governance and
Remuneration Sub-Committees

Lawrence Churchill CBE
Co-opted January 2016

Institute Chair-Elect

Laurie Edmans CBE
Appointed 2007, re-elected 2013

Funding Sub-Committee

Andrew Evans
Appointed 2012, re-elected 2015

Finance Sub-Committee

Madeline Forrester
Appointed 2013

Funding Sub-Committee

Robert Laslett CBE
Appointed 2015

Research Reviewer

Michael Pomery CVO
Appointed 2006, re-elected 2012

Institute Chairman of Council
Funding, Governance and Remuneration
Sub-Committees

Joanne Segars OBE
Appointed 2001, re-elected 2013

Remuneration Sub-Committee

Margaret Snowdon OBE
Appointed 2010, re-elected 2014

Chair of the Funding Sub-Committee

Paul Stannard
Appointed 2007, re-elected 2014

Chair of the Governance Sub-Committee

Professor Holly Sutherland
Appointed 2010

Retired from Council in June 2015

Anthony Tomei CBE
Appointed 2012, re-elected 2013

Finance Sub-Committee

Kevin Wesbroom
Appointed 2013

Funding Sub-Committee

David Yeandle OBE
Appointed 2001, re-elected 2015

Institute Treasurer
Chair of the Finance Sub-Committee

Andrew Young
Appointed 2002, re-elected 2014

Governance Sub-Committee

Governors at 31 January 2016

Matthew Annable	Professor Ruth Hancock	Tom Ross OBE
Mark Ashworth	Dr Sarah Harper	Alan Rubenstein
Sir Tony Atkinson	Andrew Harrop	Jane Samsworth
Professor Nicholas Barr	Patrick Heath-Lay	Richard Saunders
Rodney Bickerstaffe	Professor Sir John Hills CBE	Joanne Segars OBE*
Tom Boardman	Chris Hitchen	David Severn
Professor Philip Booth	Tony Hobman	Nick Sherry
Adrian Boulding	Baroness Hollis of Heigham	Teresa Sienkiewicz OBE
Ronnie Bowie	Caroline Instance	Derek Sloan
Robert Branagh	Paul Johnson	Ruston Smith
Duncan Brown*	Tim Jones	Margaret Snowdon OBE*
Kay Carberry CBE	John Kay CBE	Brian Spence
Miles Celic	Lord Kirkwood of Kirkhope	Nigel Stanley
John Chilman	Arno Kitts	Paul Stannard*
Simon Chinnery	Michael Lake CBE	Professor Holly Sutherland
Lawrence Churchill CBE*	Robert Laslett CBE*	Doug Taylor
Professor Gordon Clark	Chris Lewin	Peter Thompson
Niki Cleal	Paul Lewis	Otto Thoresen
Norma Cohen	Prof. Denise Lievesley CBE	Paul Thornton OBE
Charles Cowling	Gordon Lishman CBE	Nick Timmins
Michelle Cracknell	Trevor Llanwarne CB	Anthony Tomei CBE*
Margaret Craig	Anne Maher	Jane Vass
Jane Curtis	Professor Stephen McNair	Andrew Vaughan
Wayne Daniel	Tom McPhail	Adrian Waddingham CBE
Professor Richard Disney	Peter Murray	Professor Robert Walker
Baroness Drake CBE	Ian Naismith	Andrew Waring
Laurie Edmans CBE*	Dame Jane Newell OBE	Nigel Waterson
Andrew Evans*	Morten Nilsson	Dr Martin Weale CBE
Professor Jane Falkingham	Alison O'Connell	Kevin Wesbroom*
Terry Faulkner	John Pearson	David Willetts
Campbell Fleming	Michael Pomery CVO**	Lesley Williams
Madeline Forrester*	Julius Pursaill	Alan Woods
Bill Galvin	Dr Katherine Rake OBE	David Yeandle OBE*
Fay Goddard	Brian Ridsdale	Andrew Young*
Baroness Greengross OBE***	Rhoslyn Roberts	Carol Young

*** President ** Chairman of Council * Council Members (at 31 Jan 2016)

Institute Staff**Senior Management Team**

Chris Curry
Director

Sarah Luheshi
Deputy Director

Support Team

Maritha Lightbourne
Head of Finance & Operations

Danielle Baker
Head of Membership & External Engagement

Policy Research Team

Daniela Silcock
Head of Policy Research

Jennifer Summers
Policy Research and Admin Officer

Melissa Echaliier
Senior Policy Researcher

Sumayya Allam
Policy Researcher

Hayley James
PhD Student

Modelling Team

Tim Pike
Head of Modelling

John Adams
Senior Policy Analyst

Shamil Popat
Policy Modeller

Supporting Members**Platinum Level**

Columbia Threadneedle Investments
JLT
JP Morgan Asset Management
Just Retirement
LV=
Prudential UK & Europe
The Pensions Regulator

Gold Level

AXA Investment Managers
AB
BlackRock
Capita Employee Benefits
Department for Work and Pensions
Hymans Robertson
MFS Investment Management
National Employment Savings Trust
RPMI
Standard Life Group
The People's Pension

Silver Level

Age UK
Association of British Insurers
Barnett Waddingham
Cardano
Law Debenture
MNOFP Trustees Ltd
Royal London/Scottish Life
Schroders
Shell Pensions Management Services
USS

Aon Hewitt
Aviva
BP Pension Trustees
Exxon Mobil
Legal and General
PLSA
Sacker and Partners
Scottish Widows
CII/The Personal Finance Society

Associate Level

Brian Shearing and Partners Limited
 Greater Manchester Pension Fund
 Lincoln Pensions Limited
 Pendragon

Clark Benefit Consulting Limited
 Lancashire County Pension Fund
 Occupational Pensions Defence Union

Benefits in kind

Beacon Strategic Communications
 Spence Johnson

Randall's Parliamentary Service
 Travers Smith

Model Review Board

John Armstrong
 Deborah Cooper
 John Hawksworth
 Mirko Licchetta
 Teemu Pennanen
 Gemma Tetlow

Shaun Butcher
 Professor Ruth Hancock
 Gary Heslop
 Jon Palin
 Professor Holly Sutherland
 Andrew Young

Administrative Details

Company registered number

04145584

Charity registered number

1087856

**Principal operating office
 Before July 2015**

Pensions Policy Institute
 King's College London
 26 Drury Lane, 3rd Floor
 London WC2B 5RL

**Principal operating office
 Since July 2016**

Pensions Policy Institute
 King's College London
 22 Kingsway, 1st Floor
 London WC2B 6LE

Telephone

020 7848 3744

Email

info@pensionspolicyinstitute.org.uk

Website

www.pensionspolicyinstitute.org.uk

Registered Office

10 Snow Hill
 London EC1A 2AL

Solicitors

Travers Smith
 10 Snow Hill, London EC1A 2AL

Auditors

haysmacintyre
 26 Red Lion Square
 London WC1R 4AG

Bankers

Unity Trust Bank
 Nine Brindley Place
 Birmingham B1 2HB

Bankers

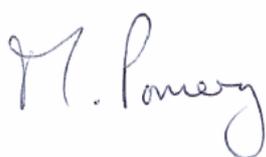
United Trust Bank Limited
 80 Haymarket
 London SW1Y 4TE

Virgin Money
 Jubilee House
 Gosforth
 Newcastle Upon Tyne NE3 4TF

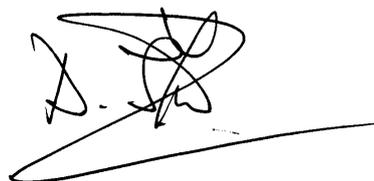
Approval

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.

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



Michael Pomery CVO
Chairman
10 May 2016



David Yeandle OBE
Treasurer
10 May 2016

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 2016, which comprises of the Statement of Financial Activities, Charity Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Council and auditors

As explained more fully in the Council Members' Responsibilities statement, 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. We have been appointed auditors under the Companies Act 2006. 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at ww.frc.org.uk/auditscopeukprivate.

Opinion

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 2016 and of the charitable company's incoming resources and application of resources, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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' Annual 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:

- the charitable company have not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company 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 took advantage of the small companies exemption in preparing the Council's Annual Report and took advantage of the small companies exemption from the requirement to prepare a Strategic Report.



.....
Tracey Young (Senior statutory auditor)
26 Red Lion Square
for and on behalf of haysmacintyre, Statutory Auditor
London
WC1R 4AG

10 May 2016

haysmacintyre is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Statement of Financial Activities for the year ending 31 January 2016 (incorporating income and expenditure account)

	Note	Restricted Funds 2016 £	Unrestricted Funds 2016 £	Total Funds 2016 £	Total Funds 2015 £
Income					
<i>Income from charitable activities:</i>					
Research	2	44,499	699,304	743,803	598,564
Investment income	3	-	3,179	3,179	4,478
Total income		£44,499	£702,483	£746,982	£603,042
Expenditure					
<i>Expenditure on charitable activities:</i>					
Research	4	44,499	654,600	699,099	601,316
Total expenditure		£44,499	£654,600	£699,099	£601,316
Net income and net movement in funds for the year	14	-	47,883	47,883	1,726
Reconciliation of funds					
Total funds brought forward		-	303,740	303,740	302,014
Total funds carried forward		-	£351,623	£351,623	£303,740

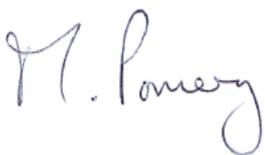
The Statement of Financial Activities includes all gains and losses recognised in the year. All transactions are derived from continuing activities.

The notes on pages 37 - 44 form part of these Financial Statements.

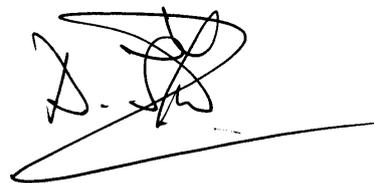
Balance sheet as at 31 January 2016**Company Number: 04145584**

	Note	£	2016 £	£	2015 £
Fixed assets					
Tangible fixed assets	9		7,821		8,012
Current assets					
Debtors	10	179,878		221,919	
Cash at bank		412,994		300,065	
			<u>592,872</u>	<u>521,984</u>	
Creditors: amounts falling due within one year	11	(249,070)		(226,256)	
			<u>343,802</u>		<u>295,728</u>
Net assets	14		<u><u>£351,623</u></u>		<u><u>£303,740</u></u>
Institute funds					
Unrestricted - General Funds	13		<u>351,623</u>		<u>303,740</u>
			<u><u>£351,623</u></u>		<u><u>£303,740</u></u>

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



Michael Pomery CVO
Chairman
10 May 2016



David Yeandle OBE
Treasurer
10 May 2016

The notes on pages 37 - 44 form part of these Financial Statements.

Statement of cashflow

	2016 £	2015 £
Cashflows from operating activities:		
Net cash provided by / (used in) operating activities	115,614	151,090
Cashflows from investing activities:		
Interest received	3,179	4,478
Purchase of furniture, fittings and equipment	(5,864)	(11,385)
<i>Net cash (used in) investing activities</i>	<u>(2,685)</u>	<u>(6,907)</u>
<i>Change in cash and cash equivalents in the reporting period</i>	112,929	(157,997)
<i>Cash and cash equivalents at the beginning of the reporting period</i>	300,065	458,062
<i>Cash and cash equivalents at the end of the reporting period</i>	<u><u>412,994</u></u>	<u><u>300,065</u></u>
Reconciliation of net income to net cash flow from operating activities		
<i>Net income for the reporting period (as per the statement of financial activities)</i>	47,883	1,726
<i>Adjustments for:</i>		
Depreciation charges	6,055	4,348
Interest received	(3,179)	(4,478)
Loss on the sale of fixed assets	-	64
Decrease/(increase) in debtors	42,041	(169,239)
Increase in creditors	22,814	16,489
Net cash provided by / (used in) operating activities	<u><u>115,614</u></u>	<u><u>(151,090)</u></u>
Analysis of cash and cash equivalents		
Cash in hand	129,033	19,426
Notice deposits (less than 12 months)	283,961	280,639
<i>Total cash and cash equivalents at the end of the year</i>	<u><u>412,994</u></u>	<u><u>300,065</u></u>

Notes to the Financial Statements for the year ending 31 January 2016

1. Accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

1.1 Basis of preparation of Financial Statements

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP FRS 102), and the Companies Act 2006.

The Pensions Policy Institute meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

1.2 Preparation of accounts on a going concern basis

The Council consider there are no material uncertainties about the Institute's ability to continue as a going concern. The review of our financial position, reserve levels and future plans gives the Council confidence the Institute remains a going concern for the foreseeable future.

1.3 Reconciliation with previous Generally Accepted Accounting Practice

In preparing the accounts, the Council have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was required. No restatements were required. The opening fund balances at the date of transition have not been restated due to an immaterial amount arising from a liability for holiday pay. No restatement of items has been required in making the transition to FRS 102. The transition date was 1 February 2014.

1.4 Company status

The Institute is a company limited by guarantee. The members of the Institute are the Governors named on page 28. 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.

1.5 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Council 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.

1.6 Income recognition

All incoming resources are included in the Statement of Financial Activities when the Institute has entitlement to income, it is probable that income will be received and the amount of income receivable can be measured reliably.

Notes to the Financial Statements for the year ending 31 January 2016

1.7 Donations and legacies

Donations and gifts are included in full in the Statement of Financial Activities when there is entitlement, probability of receipt and the amount of income receivable can be measured reliably.

1.8 Gifts in kind

Gifts in kind represent assets donated for distribution or use by the Institute. Assets given for distribution are recognised as incoming resources only when distributed. Assets given for use by the Institute are recognised when receivable. Gifts in kind are valued at the amount actually realised from the disposal of the assets or at the price the Institute would otherwise have paid for the assets.

1.9 Income from charitable activities

Income from charitable activities is recognised as earned as the related services are provided. Income from other trading activities is recognised as earned as the related goods are provided.

- 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.
- Grants are recognised in full in the Statement of Financial Activities in the year in which the charity has entitlement to the income, the amount of income receivable can be measured reliably and there is probability of receipt.

1.10 Investment income

Investment income is recognised on a receivable basis once the amounts can be measured reliably.

1.11 Resources expended

Liabilities are recognised as expenditure as soon as there is legal or constructive obligation committing the Institute to that expenditure, it is probable that settlement will be required and the amount of obligation can be measured reliably.

Expenditure is recognised on an accruals basis as a liability is incurred, inclusive of VAT, which cannot be recovered.

Charitable activities comprise mainly of time spent carried out on research and dissemination of research. These activities directly represent the costs of the staff time and direct costs. In all cases, where relevant, direct activity and an allocation of support costs on a pro-rata basis using staff head counts to reflect usage.

Support costs have been allocated between governance costs and other support costs. Governance activities comprise organisational administration and compliance with constitutional and statutory requirements. Costs include direct costs of external audit, legal fees and other professional advice including legal fees.

Governance and support costs have been apportioned between all activities based on staff head counts and usage by activity. The allocation of support and governance costs is analysed in notes 5 and 6.

Notes to the Financial Statements for the year ending 31 January 2016

1.12 Operating leases

Rental charges are charged on a straight line basis over the life of the lease.

1.13 Employee benefits

- **Short term benefits** including holiday pay are recognised as an expense in the period in which the service is received.
- **Employee termination benefits** are accounted for on an accrual basis and in line with FRS 102.
- **Pensions** - All staff members employed by the Institute are eligible for membership of a Group Stakeholder Pension Plan. 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.

1.14 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

1.15 VAT

The Pensions Policy Institute has been registered for VAT since 1 December 2009.

1.16 Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

1.17 Cash at bank and in hand

Cash at bank and cash in hand includes cash and short-term highly liquid investments with a short maturity of twelve months or less from the date of acquisition or opening of the deposit or similar account.

1.18 Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

1.19 Financial instruments

The Institute only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Notes to the Financial Statements for the year ending 31 January 2016

2. Incoming resources from charitable activity - research	Total Funds 2016 £	Total Funds 2015 £
Research Grants	86,066	54,257
Commissioned research	305,498	241,400
Membership income	347,939	300,767
Other income	4,300	2,140
	<u>£743,803</u>	<u>£598,564</u>
Total	<u>£743,803</u>	<u>£598,564</u>

In 2016, charitable income includes £44,499 of restricted income (2015: £11,907) which was income allocated to restricted funds.

3. Investment income	Total Funds 2016 £	Total Funds 2015 £
Bank interest receivable	3,179	4,478
	<u>3,179</u>	<u>4,478</u>

4. Resources expended	Direct staff costs £	Other direct costs £	Support costs £	2016 £	2015 £
Research	462,286	106,876	129,937	699,099	601,317
Total	<u>£462,286</u>	<u>£106,876</u>	<u>£129,937</u>	<u>£699,099</u>	<u>£601,317</u>

In 2016, the expenditure on charitable activities included £44,499 (2015: £11,907) which was expenditure from restricted funds.

5. Support costs include	Staff Costs £	Office £	Other costs £	2016 £	2015 £
Governance	35,955	-	15,844	51,799	39,763
Other Support costs	44,955	7,534	25,649	78,138	64,085
Total	<u>£80,910</u>	<u>£7,534</u>	<u>£41,493</u>	<u>£129,937</u>	<u>£103,848</u>

Notes to the Financial Statements for the year ending 31 January 2016

6. Governance	Total Funds 2016 £	Total Funds 2015 £
Salaries	35,955	27,945
Audit and accountancy	8,516	7,327
Legal and professional fees	3,462	3,449
Other costs	3,866	1,042
	<u>51,799</u>	<u>39,763</u>

7. Net income	2016 £	2015 £
This is stated after charging:		
Depreciation of tangible fixed assets:		
- owned by the Institute	6,055	4,348
Auditor's remuneration – audit services excluding VAT	6,600	6,400
- other services excluding VAT	1,250	-
Pension costs	46,999	35,815
	<u>61,904</u>	<u>46,563</u>

During the year, no Council Member received any remuneration (2015: £NIL).

During the year, no Council Member received any benefits in kind (2015: £NIL).

During the year, two Council Members received reimbursement of travel expenses £447 (2015: one Council Member received £287).

8. Staff costs and numbers	2016 £	2015 £
Wages and salaries	448,001	370,006
Social security costs	48,196	39,737
Other pension costs	46,999	35,814
	<u>£543,196</u>	<u>£445,557</u>

The average total number of staff employed in the period was 9.9 (2015: 8.8); including full time staff of 9.7 (2015: 7.3) and 0.3 (2015: 1.4) part time staff.

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

	2016 No.	2015 No.
Charitable activities	9.7	7.4
Administration	1.7	1.7
	<u>11.4</u>	<u>9.1</u>

Notes to the Financial Statements for the year ending 31 January 2016

The number of employees whose emoluments (excluding pension contributions) amounted to over £60,000 in the year was as follows:

	2016	2015
£70,000 - £ 80,000	1	1
£80,000 - £ 90,000	-	1
£90,000 - £100,000	1	-
	<u>2</u>	<u>2</u>

In respect of the higher paid employees above, contributions for the provision of pension benefits totalled £20,011 (2015: £15,885).

The key management personnel comprises the senior management team and is made up of the following positions within the organisation - Director and Deputy Director.

	2016	2015
Salaries	£164,008	£158,846
Benefits	-	-
Pension	£20,011	£15,885
	<u>£184,019</u>	<u>£174,731</u>

9. Tangible fixed assets

	Furniture, fittings and equipment £
Cost	
At 1 February 2015	18,428
Additions	5,864
Disposals	<u>(1,323)</u>
At 31 January 2016	<u>£22,969</u>
Depreciation	
At 1 February 2015	10,416
Charge for the year	6,055
Disposals	<u>(1,323)</u>
At 31 January 2016	<u>£15,148</u>
Net book value	
At 31 January 2016	<u>£7,821</u>
At 31 January 2015	<u>£8,012</u>

Notes to the Financial Statements for the year ending 31 January 2016

10. Debtors: Due within one year	2016	2015
	£	£
Debtors	131,734	214,396
Prepayments	5,196	4,861
Accrued income	42,948	2,661
	<u>£179,878</u>	<u>£221,918</u>

11. Creditors: amounts falling due within one year	2016	2015
	£	£
Social security and other taxes	31,892	24,659
Accruals	19,761	8,156
Deferred income (see note 12)	188,189	191,938
Other Creditors	4,586	1,370
Pension	4,642	135
	<u>£249,070</u>	<u>£226,258</u>

12. Deferred income	2016	2015
	£	£
Deferred income brought forward at 1 February 2015	191,938	178,654
Membership income received in advance	184,439	185,638
Commissioned Research received in advance	3,750	6,300
Released to Statement of Financial Activities	(191,938)	(178,654)
	<u>£188,189</u>	<u>£191,938</u>

13. Statement of funds	Brought Forward	Incoming Resources	Resources Expended	Carried Forward
	£	£	£	£
Unrestricted funds				
General funds	303,740	702,483	654,600	351,623
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Restricted funds				
Nuffield Foundation – CASPeR Project	-	40,179	40,179	-
The Joseph Rowntree Foundation	-	4,320	4,320	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Subtotal	-	44,499	44,499	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Funds	<u>£303,740</u>	<u>£746,982</u>	<u>£699,099</u>	<u>£351,623</u>

Notes to the Financial Statements for the year ending 31 January 2016

Restricted funded projects

- Care and State Pension Reforms (CASPeR) Project - Understanding the interactions between state pension and long-term care reforms in Great Britain - a collaborative project being funded over two years by the Nuffield Foundation, investigating the long-term impacts of both long term care and state pension reforms and their potential interactions
- The Under-pensioned 2016 commissioned by Age UK, the Joseph Rowntree Foundation, The People's Pension and the TUC commissioned explores how state and private pension incomes have changed for women, disabled people, and people from ethnic minority groups as well as for carers and the self-employed. The Joseph Rowntree Foundation's contribution to the project is classified as restricted and the remainder of their contribution will be received in the financial year ending 31 January 2017.

All restricted funds were expended within the financial year.

14. Analysis of net assets between funds	Restricted Funds	Unrestricted Funds	Total Funds	Total Funds
	2016	2016	2016	2015
	£	£	£	£
Tangible fixed assets	-	7,821	7,821	8,012
Current assets	-	592,872	592,872	521,984
Creditors due within one year	-	(249,070)	(249,070)	(226,256)
Total	-	£351,623	£351,623	£303,740

15. Pension commitments

The Pensions Policy Institute contributes to a Group Stakeholder Pension Plan administered by AEGON and into a personal pension plan for one employee. The pensions cost charge represents contributions made by the Institute and amounted to £46,999 (2015: £35,814).

16. Related party transactions

Joanne Segars OBE, Chief Executive of The Pensions and Lifetime Savings Association (PLSA) is also a Council Member of the Institute. The PLSA is a Silver Supporting Member of the PPI and contributed £7,100. 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 £7,100. Margaret Snowdon OBE was a Director at JLT Employee Benefit during the year and is also a Council Member of the Institute. JLT are Platinum Supporting Members and contributed £16,300. Andrew Young works at The Pensions Regulator and is also a Council Member of the Institute. The Pensions Regulator is a Platinum Supporting Member and contributed £14,841, they have received a discount for a three year renewal. Madeline Forrester is Managing Director, UK Institutional Business at MFS Investment Management. MFS Investment Management is a Gold Supporting Member of the PPI and contributed £10,800.

17. Operating lease commitments

At 31 January 2016, the Institute's future minimum operating lease payments are as follows:

Building	2016	2015
	£	£
within 1 year	32,643	17,136
within 2 - 5 years	-	-

Published by
PENSIONS POLICY INSTITUTE

PPI

www.pensionspolicyinstitute.org.uk