

PENSIONS POLICY INSTITUTE

# PPPI

ANNUAL REPORT AND FINANCIAL STATEMENTS  
1 FEBRUARY 2016 to 31 JANUARY 2017

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(ENGLAND & WALES)



## Annual Report and Financial Statements

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## Message from the Council Chairman

It gives me great pleasure to write my first report as Chairman of the PPI. Since my appointment was at the AGM, I am reporting for a period when Mike Pomery was also the Chairman. I would like to thank Mike for leaving PPI in such good shape.

2016 continued as a year of great change. Politically we had a change of Minister and we have met with Richard Harrington and other policy makers to keep abreast of what the new priorities are for the new ministerial teams.

It has been a busy year for the PPI, a year in which we have issued 17 reports, 10 Briefing Notes and held 15 events. I was interested to discover that almost 72,000 copies of our reports were downloaded last year, demonstrating an intense interest in PPI's analysis.

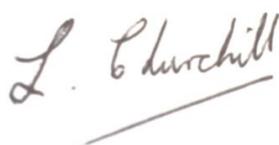
We have an equally challenging and busy year ahead in 2017.

I would like to thank our staff at PPI, admirably lead by Chris and Sarah, for their outstanding work.

To PPI's Council goes my gratitude for the great work they do supporting the Institute's Governance and I would like to welcome Professor Sharon Collard to Council to strengthen our academic oversight; and perhaps, most of all, to our Supporting Members and sponsors, without whose help the charity would not be able to do the work it does.

I would also like to thank our Governors for responding so positively to my enquiries about strengthening their participation in PPI's activities. Chris and Sarah are now taking this forward.

There is much public interest in the security, sustainability and adequacy of the UK's pension systems at the moment and I look forward to PPI playing its full role in analysing the various options for change in an independent and neutral way.



**Lawrence Churchill**  
**PPI Chairman**

## Message from the Director

It is with pleasure that I present the sixteenth 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.

2016 turned out to be a year of uncertainty not just for the UK with the many political changes but also for us at the PPI. While keeping us busy on the research and policy front, the uncertainty has impacted on our fundraising and finances. Although there have been financial challenges, the team have worked just as hard in meeting objectives and publishing fact-based research and disseminating the research at various events.

During 2016/17, we released 27 publications that covered topics such as the under-pensioned, financial advice, value for money, tax relief, State Pension age, automatic enrolment, adequacy and a review of the DC and new pensions landscapes. We continued our engagement with Government and Parliament and responded to a number of consultations to the Work and Pensions Committee and the Department for Work and Pensions.

We undertook a Members' Perception Survey and received positive feedback on the PPI and the Membership Scheme. Further work is planned in collating the perceptions of external stakeholders to help continue to build a strong and reputable research charity.

The PPI welcomed Lawrence Churchill as its Chairman and received a very positive response from Governors who are interested in contributing more to the PPI.

2017 continues to look uncertain with the details of Brexit to be worked out and the awaited outcome of the automatic enrolment review.

I would like to take this opportunity to thank the PPI team, Council Members, Governors, Supporting Members and our supporters who sponsor research, and events and support the PPI in kind. I look forward to working with all of you over the next year.



**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 2017.

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.

### Research and dissemination

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.

The PPI produces factual, evidence-based research 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.

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 PPI has constructed a [suite of micro-simulation models](#) to analyse long-term outcomes from the current UK pensions system and possible 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. 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 is incorporated into the models and the long-term assumptions are reviewed.

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 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.

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 new research. The PPI's media contacts also receive a press release and an email when publications are available. An advanced embargoed copy of the press release and executive summary of major pieces of research are sent in advance to Supporting Members and Governors before they are made available to the general public.

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.

The PPI team also meet with foreign delegates to provide information on the UK pensions system.

### **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/sponsor 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 Defined Benefit/Defined Contribution schemes, local government authorities, Independent Governance Committees and smaller organisations that have an interest in pensions policy.

## **Achievements and performance**

### **Overview**

In the year ending 31 January 2017, the PPI published seventeen research reports and ten Briefing Notes covering topics such as value for money, financial advice, tax relief, the under-pensioned, State Pension age, automatic enrolment, adequacy and a review of Defined Contribution and the new pensions landscapes. There have been around 132,300 downloads from the website with 71,990 of these reports and 35,680 Briefing Notes.

The PPI responded to six consultations and gave oral evidence to the Work and Pensions Committee. These covered the [ONS Products Changes](#), the [Intergenerational Fairness Inquiry](#), the [Early Drawing Down Of State Pension Inquiry](#), the DWP's call for evidence [NEST: Evolving For The Future](#) and [Introducing a Pensions Advice Allowance](#) and the [State Pension age Consultation](#). The PPI has also continued to see high levels of Parliamentary and Government engagement, meeting with members of both Houses of Parliament, Treasury officials, Government officials and John Cridland's team on the [State Pension age](#). The PPI also has regular meetings with representatives from various parts of the pensions and financial services industry.

The PPI encourages launch events, whether a large seminar or small roundtable, 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 five major report launches, two research dissemination events for the WHERL and CASPeR grant funded projects and seven round-tables which were attended by around 650 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. The PPI also gathered feedback from the events, and each event generally received positive feedback. All respondents felt that each event was informative and the majority said that there was enough opportunity to ask questions and the timing of events was convenient.

Presentations made by members of the team at various events during the year totalled 79 for external events, including radio and TV interviews. This compares with 27 in the previous year. The team have also participated in various workshops, roundtables, dinners and attended various events throughout the year.

As mentioned in last year's report, the PPI is introducing a series of Knowledge Sharing Seminars. These seminars were trialed in 2016 with team members presenting on the UK pensions system, to a few foreign delegations (Department for Social Insurance - Hainan Province, Sunland International SHDRC Talk and a Shanghai delegation) as well as the DWP's Summer School. These seminars were officially launched in 2017.

For the first time the PPI held three fringe events, sponsored by LV=, at the Conservative, Labour and SNP Party Conferences. The sessions focused on what policies can help consumers get the best income in retirement.

The PPI continues to improve its presence and engagement with the media and Parliament. References to PPI research were made in Parliament by Angela Rayner MP, Ian Blackford MP, Richard Graham MP and Baroness Hollis of Heigham (as recorded in Hansard).

The Platinum and Gold Level Supporting Members' dinner was held in December 2016 at the House of Lords and Richard Harrington MP, Pensions Minister, was the PPI's guest of honour.

The PPI held the first Associate Members' event which focused on State Pension age and we welcomed John Cridland who gave an overview of his interim report that was published on the same day. Other guest speakers included Caroline Abrahams (Charity Director, Age UK) and Tom Younger (Head of Ageing and State Pensions Analysis, DWP). The event was attended by 54 individuals and the feedback was very positive. Those that responded to the event feedback found that it was informative. Many found that their objective of attending the event was met and the opportunity to hear from the speakers, ask questions and network after the event was well received.

The PPI values the relationships with research sponsors/commissioners and evaluates each project on completion. This year the feedback has again been positive. The PPI also conducted a Perception Survey amongst its Supporting Members. The results showed that they found the independence of the PPI's research to be very valuable and access to PPI staff, politicians and networking was scored as valuable. Some Members also indicated that they would value further access to or knowledge of PPI Council Members and Governors. There were suggestions to improve communications and consider a refresh of the PPI brand and to have periodic engagement with stakeholders to get a better understanding of where PPI research could really add value. Both sets of feedback made recommendations regarding the length of reports and the PPI branding which the PPI is reviewing.

Following the Membership feedback, the PPI held a Welcome Reception for the newly appointed Chairman of Council, Lawrence Churchill CBE, for stakeholders to meet Council Members and staff and have the opportunity to hear about the planned work of the PPI over the next couple of years.

A full list of research projects undertaken this year is included in the appendix.

## Financial review

The PPI has three main sources of income: from the Supporting Members Scheme, Commissioned/Sponsored 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. Funding research does not necessarily imply agreement with, or support for, the analysis or findings from research projects.

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 also crucial to ensuring the PPI's independence and impartiality.

The challenging economic climate has impacted on PPI membership during 2016 with a couple of non-renewals and downgrades. However, we are encouraged that we gained a Silver Member (Mercer) and two new Associates (National Association of Retired Police Officers and RBS Research Team) during the year and are grateful to the many other organisations who have renewed their membership. On 31 January 2017, the PPI had three Platinum Members, nine Gold Members, twenty-two Silver Members and nine Associates. (Details of current Supporting Members are listed on pages 20 and 21).

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.

Commissioned Research covers:

- Specific bespoke commissioned work from organisations, provided it is published freely and fits with the PPI's independent status, meeting the stringent PPI objectives and public benefit criteria, and
- Sponsored research, where the PPI has designed a project and sought funding from other organisations, either solely, jointly or as a consortium.

In 2016/17, PPI research was commissioned/sponsored by Age UK, the Association of British Insurers (ABI), Axa Investment Managers, the Chartered Insurance Institute (CII), Columbia Threadneedle Investments, the Department for Work and Pensions (DWP), the Institute and Faculty of Actuaries (IFoA), LV=, Mercer, NOW: Pensions, the Pensions and Lifetime Savings Association (PLSA), Pinsent Masons, Royal London, Standard Life Group, State Street Global Advisors (SSGA), The Joseph Rowntree Foundation, the Pensions Regulator (TPR), The People's Pension, The Resolution Foundation and the Universities Superannuation Scheme (USS).

Research income received where the work has been partially completed at the year end is treated, for accounting purposes, as deferred income. The research that this applied to in 2015/16 was the under-pensioned research which was launched on 1 March 2016, the LV= research on consumer financial advice which was launched on 8 March 2016 and the research for Standard Life Group on the value for money which was launched on 4 May 2016. The cash for all of these projects was received in 2015/16. The projects that this will apply to for 2016/17 across 2017/18 are the Defined Benefit research sponsored by Mercer and the consortium funded project on the engagement series (the ABI, IFoA, LV=, Pinsent Masons, SSGA, TPR, The People's Pension and USS).

The PPI makes applications to Charitable Trusts and Foundations which 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. The Nuffield Foundation grant ended in December 2016.

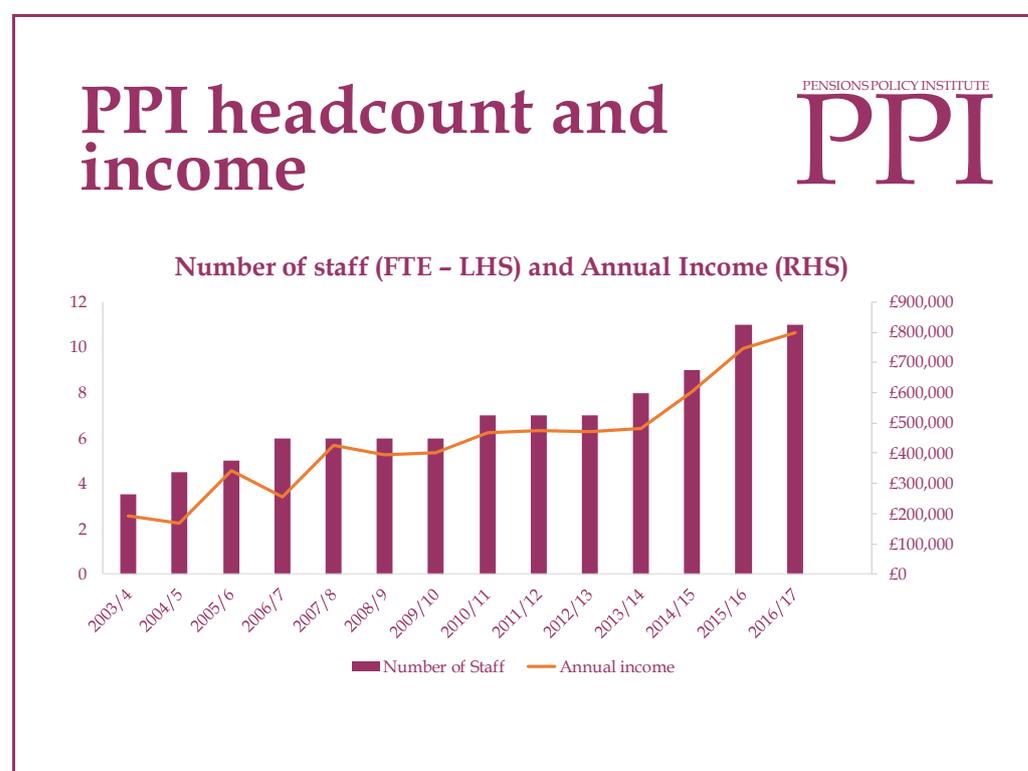
### **Investment policy**

Under the Memorandum and Articles of Association, the PPI has the power to deposit or invest funds in any manner (but to invest only after obtaining advice from a financial expert and having regard to the suitability of investments and the need for diversification). Currently, the PPI's funds are held in cash as the Council do not think it is prudent to invest assets for the longer-term. However, the Council takes into consideration the best rates of interest and the ethicality of the banks which hold the PPI's funds.

### **Results for the year**

Income has increased in 2016/17 by 7% to £799,702 (2016: £746,982). Although there has been an increase in income, the PPI's expected surplus target was not

achieved due to membership downgrades and non-renewals. Expenditure is up as expected by 16% to £809,233 (2016: £699,099).



### 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. During the year, it was the Council's policy that the minimum level of the Institute's reserves should be equivalent to six months' operating costs which allows the PPI to honour its contractual liabilities. There are no long-term leases or contracts that need to be taken into consideration. For the financial year ended 31 January 2017, this equated to £406,770 (2016: £344,410).

The PPI received deferred income of £194,068 (2016: £188,189) and total reserves at 31 January were unrestricted totalling £342,092 (2016: £351,623). Unrestricted reserves excluding amounts tied up in fixed assets were £338,986 (2016: £343,802).

The level of reserves is examined quarterly and the policy is reviewed on an annual basis. The Council undertakes a review of the PPI's 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. During 2016 the Council undertook a financial scenario planning exercise and reviewed the basis of the existing reserves policy. On completion of this exercise, the Council decided that reserves of six months' operating costs in the event of closing down was no longer appropriate for a mature charity like the PPI and that a targeted reserve range would be more suitable. This has been determined to be a targeted range of £179,494 to £358,987.

## Plans for the future

### Research

The PPI will continue to meet its objectives in producing fact-based analysis and research and distributing this in the form of reports, Briefing Notes, seminars and events and speaking opportunities.

Projects already underway in 2017/18 are:

- The PPI responded to the initial questions raised by the [Automatic Enrolment Review](#).
- A response was submitted to the DWP's Green Paper on [security and sustainability in Defined Benefit pension schemes](#).
- The Resolution Foundation commissioned the PPI to model [pensions adequacy for future generations](#).
- [Defined Benefits: today and tomorrow](#), sponsored by Mercer, which brings together the latest data on the state of private pensions in the UK, specifically Defined Benefit. A series of Briefing Notes and roundtables were produced and the project culminated with a final launch in March 2017.
- [Consumer engagement](#) is a series of reports exploring consumer engagement with pensions and financial products. The first report [Consumer engagement: barriers and biases](#) was published in February 2017. A further report explored policies designed to promote engagement internationally and draw out lessons for promoting better engagement in the UK (May 2017). The final report will be launched in July 2017 which looks at why engagement is important, and when, who and how to engage with different segments of the population. The project as a whole is being sponsored by the Association of British Insurers (ABI), the Institute and Faculty of Actuaries (IFoA), LV=, Pinsent Masons, State Street Global Advisors (SSGA), The Pensions Advisory Service (TPAS), The Pensions Regulator (TPR), The People's Pension, and the Universities Superannuation Scheme (USS).
- The PPI was commissioned by StepChange to analyse [options for individuals to access their pension savings during the accumulation stages](#) to avoid problem debt and the impact this would have on their income in retirement.
- The three year collaborative project on [Wellbeing, Health Retirement and the Lifecourse \(WHERL\)](#) will culminate in a one day conference in June 2017. The research investigated ageing, work and health across the lifecourse. The research was conducted by King's College, the PPI, the University of Manchester, University College London and the University of Toronto) and was funded by the cross-research council Lifelong Health and Wellbeing (LLHW) programme under Extending Working Lives.
- Age UK have commissioned the PPI to produce a Briefing Note looking at [the changing importance of State Pension income through retirement](#). The research is expected to be published in September 2017.
- LV= will be sponsoring the [Party Conference Fringe events](#) for 2017.
- The third edition of the [The Future Book](#), sponsored by Columbia Threadneedle Investments, is planned to be published in October 2017.

- Old Mutual Wealth has commissioned the PPI to review **recent analysis of the changes in the self-employed population** from a variety of sources to construct a picture of the self-employed, their characteristics and savings levels. This data will be used to inform analysis of two key modelling themes. The first is the aggregate savings levels and the second will be to model potential saving outcomes under a range of policies. The research will be published in the second half of 2017.
- NOW: Pensions have commissioned the PPI to undertake research looking at **the relationship between employee and employer contributions**, with international comparisons. The research will be published in the second half of 2017.
- The PPI is planning research into the implications of **removing the triple lock for State Pensions**, including issues surrounding affordability, adequacy, means-testing, poverty and levels of future private saving.
- Additional research may cover default investment glidepaths during the transitions between work and retirement, pooling of Defined Contribution investments and further analysis of the at-retirement market.

### Governance

The results of the Council Evaluation Exercise that took place in January 2017 will be analysed along with a wider **Governance Review** of the PPI.

### Performance review

An **External Perception Audit** is planned to take place this year.

## 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 to 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.

111 Governors served during the period ending 31 January 2017 and their names are set out on page 19.

### **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. They are also 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.

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 **Chairman of Council** is responsible for providing leadership and direction of the Institute's Board of Council and management of the Director. The Chairman 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 Chairman selection panel and the position is advertised externally. At the 2016 AGM, **Lawrence Churchill CBE** was elected Chairman of the PPI Council.

The Council meets quarterly to review the performance of the Institute and to authorise strategic decisions. They also hold a strategy day to discuss strategic issues outside of routine meetings. The Council has the power to appoint **Sub-Committees** of which the Institute currently 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 on 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 Council Members who served, and on which Sub-Committee they served, for the year ended 31 January 2017 are listed on page 18.

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 Maritha Lightbourne, the PPI's Head of Finance and Operations.

A review of the **skills and expertise** of the Council Members is undertaken annually. This year, the Council concluded that broadly the PPI Council has the right set of skills and expertise on pensions, insurance and investment industry, charity, accountancy, legal and actuarial to enable it to govern the PPI effectively. However, it was felt there was a need to seek more academic expertise on the Council. Accordingly, Professor Sharon Collard was co-opted on to Council in March 2017 to fill the vacancy on Council.

**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** which identifies 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 of them are in the Notes to the Financial Statements on page 36.

#### **Council Member elections**

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 ensures that a wide range of expertise and skills are brought to the Institute. 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 28 June 2017, 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 28 June 2017 are Duncan Brown, Madeline Forrester, Margaret Snowdon and Anthony Tomei. All of them have indicated they will stand for re-election.

#### **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, the **Head of Membership and External Engagement**, who is responsible for events, PR and day-to-day management of the Membership Scheme and the **Finance and Admin Officer** who assists with finance, events and provides cover for the Head of Finance and Operations. All provide support to the Senior Management Team.

The research team comprises 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 one fixed-term staff, the **Policy Researcher**. 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 20.

### **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 2016/17, one Council Member 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 Chairman, two other Council Members with 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, and on other elements of the PPI staff remuneration scheme as necessary.

- Consult the Chairman of the Finance Sub-Committee about the overall affordability of 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 making comparisons with other charities and ensuring the Institute remain sensitive to broader issues e.g. pay and employment conditions elsewhere. The Institute does not employ unpaid interns and we pay more than the National Living Wage (NLW) for all our staff.

The Institute has a matching contribution scheme to encourage higher employee pension contributions. The initial employer contribution level is set at 8% with an additional matching 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 include 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 risk identified by Council for 2017 is insufficient funding, whether by loss of existing Supporters, failure to secure new Supporters or reduced research funding. The Council have a particular focus on Membership recruitment and retention and is also seeking alternative income sources. The Council are also keen to ensure that the PPI is not undertaking any loss making activities.

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 PPI 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 as 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 2017) are detailed on page 21.

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 28 June 2017.

## 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

### **Institute Company Secretary**

Maritha Lightbourne  
Appointed 2016

### **Council Members and Sub-Committees**

Duncan Brown  
Appointed 2011, re-elected 2014

Governance and Remuneration  
Sub-Committees

Chris Curry (ex-officio)  
Appointed 2013

**Institute Director**  
Finance, Funding, Governance and  
Remuneration Sub-Committees

Lawrence Churchill CBE  
Appointed 2016

### **Institute Chairman of Council**

Laurie Edmans CBE  
Appointed 2007, re-elected 2016

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

Governance Committee

Michael Pomery CVO  
Appointed 2006, resigned June 2016

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

Joanne Segars OBE  
Appointed 2001, re-elected 2016

Remuneration Sub-Committee

Margaret Snowden 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

Anthony Tomei CBE  
Appointed 2012, re-elected 2013

Finance Sub-Committee

Kevin Wesbroom  
Appointed 2013, re-elected 2016

Funding Sub-Committee

David Yeandle OBE  
Appointed 2001, re-elected 2015

**Institute Treasurer**  
Chair of the Finance Sub-Committee

Andrew Young OBE  
Appointed 2002, re-elected 2014

Governance Sub-Committee

The Deputy Director and Head of Finance and Operations sit on the Funding, Governance and Finance Sub-Committees. The Head of Membership and External Engagement sits on the Funding Sub-Committee.

**Governors at 31 January 2017**

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

\*\*\* President

\*\* Chairman of Council

\* Council Members (at 31 Jan 2017)

**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

Jennifer Summers  
Finance and Admin Officer

**Policy Research Team**

Daniela Silcock  
Head of Policy Research

Priya Khambhaita  
Senior Policy Researcher

Lauren Wilkinson  
Policy Researcher

Hayley James  
PhD Student

**Modelling Team**

Tim Pike  
Head of Modelling

John Adams  
Senior Policy Analyst

Silene Capparotto  
Policy Modeller

**Supporting Members at 31 January 2017**

**Platinum Level**

Columbia Threadneedle Investments  
Just  
The Pensions Regulator

**Gold Level**

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

**Silver Level**

Age UK  
Association of British Insurers  
Barnett Waddingham  
Cardano  
Exxon Mobil  
Law Debenture  
Mercer  
Prudential UK & Europe  
Royal London/Scottish Life  
Scottish Widows  
Shell Pensions Management Services

Aon Hewitt  
Aviva  
BP Pension Trustees  
CII/The Personal Finance Society  
Legal and General  
MNOFF Trustees Ltd  
PLSA  
RPMI  
Sacker and Partners  
Schroders  
USS

**Associate Level**

Brian Shearing and Partners Limited	Clark Benefit Consulting Limited
Greater Manchester Pension Fund	Lancashire County Pension Fund
Lincoln Pensions Limited	National Association of Retired Police Officers
Occupational Pensions Defence Union	Pendragon
RBS Research Team	

**Benefits in kind**

Randall's Parliamentary Service	Spence Johnson
Travers Smith	

**Model Review Board**

John Armstrong	Deborah Cooper
Richard Gibson	Professor Ruth Hancock
John Hawksworth	Gary Heslop
Tim Knight	Mirko Licchetta
Teemu Pennanen	Professor Holly Sutherland
Andrew Young	

**Administrative Details****Company registered number**

04145584

**Charity registered number**

1087856

**Principal operating office**

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

**Telephone**

020 7848 3744

**Email**[info@pensionspolicyinstitute.org.uk](mailto:info@pensionspolicyinstitute.org.uk)**Registered Office**

10 Snow Hill  
London EC1A 2AL

**Website**[www.pensionspolicyinstitute.org.uk](http://www.pensionspolicyinstitute.org.uk)**Auditors**

haysmacintyre  
26 Red Lion Square  
London WC1R 4AG

**Solicitors**

Travers Smith  
10 Snow Hill, London EC1A 2AL

**Bankers**

United Trust Bank Limited  
80 Haymarket  
London SW1Y 4TE

**Bankers**

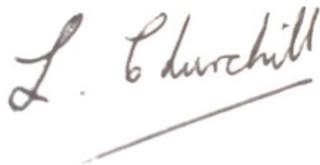
Unity Trust Bank  
Nine Brindley Place  
Birmingham B1 2HB

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:



**Lawrence Churchill CBE**  
**Chairman**  
**8 May 2017**



**David Yeandle OBE**  
**Treasurer**  
**8 May 2017**

## 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 2017, which comprises of the Statement of Financial Activities, Balance Sheet, the Statement of Cash Flow 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 [www.frc.org.uk/auditscopeukprivate](http://www.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 2017 and of the charitable company's net movement in funds, 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, based on the work undertaken in the course of the audit:

- The information given in the Council Members' Annual Report (which incorporates the directors' report) for the financial year for which the

financial statements are prepared is consistent with the financial statements; and

- The Council Members' Annual Report (which incorporates the directors' report) has been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Council Members' Annual Report' (which incorporates the directors' report).

**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 take advantage of the small companies exemption in preparing the Council's Annual Report and take advantage of the small companies exemption from the requirement to prepare a Strategic Report.



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

8 May 2017

## Statement of Financial Activities for the year ending 31 January 2017 (incorporating income and expenditure account)

	Note	Restricted Funds 2017 £	Unrestricted Funds 2017 £	Total Funds 2017 £	Total Funds 2016 £
<b>Income</b>					
<i>Income from charitable activities:</i>					
Research	3	36,723	757,609	794,332	743,803
Investment income	4	-	5,370	5,370	3,179
<b>Total income</b>		<b>£36,723</b>	<b>£762,979</b>	<b>£799,702</b>	<b>£746,982</b>
<b>Expenditure</b>					
<i>Expenditure on charitable activities:</i>					
Research	5	36,723	772,510	809,233	699,099
<b>Total expenditure</b>		<b>£36,723</b>	<b>£772,510</b>	<b>£809,233</b>	<b>£699,099</b>
<b>Net income and net movement in funds for the year</b>	15	-	(9,531)	(9,531)	47,883
<b>Reconciliation of funds</b>					
Total funds brought forward		-	351,623	351,623	303,740
<b>Total funds carried forward</b>		<b>-</b>	<b>£342,092</b>	<b>£342,092</b>	<b>£351,623</b>

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

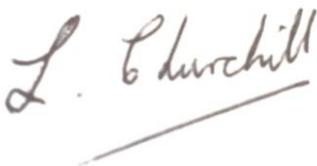
The notes on pages 28 - 36 form part of these Financial Statements.

## Balance sheet as at 31 January 2017

### Company Number: 04145584

	Note	£	2017 £	£	2016 £
<b>Fixed assets</b>					
Tangible fixed assets	10		3,106		7,821
<b>Current assets</b>					
Debtors	11	172,434		179,878	
Cash at bank		395,510		412,994	
			<u>567,944</u>	<u>592,872</u>	
<b>Creditors: amounts falling due within one year</b>	12	(215,666)		(249,070)	
<b>Net current assets</b>			<u>352,278</u>		<u>343,802</u>
<b>Total assets less current liabilities</b>			355,384		351,623
<b>Creditors: amounts falling due after more than one year</b>	13		(13,292)		-
<b>Net assets</b>	16		<u>£342,092</u>		<u>£351,623</u>
<b>Institute funds</b>					
Unrestricted - General Funds	15		342,092		351,623
			<u>£342,092</u>		<u>£351,623</u>

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



Lawrence Churchill CBE  
Chairman  
08 May 2017



David Yeandle OBE  
Treasurer  
08 May 2017

The notes on pages 28 - 36 form part of these Financial Statements.

## Statement of cashflow

	2017 £	2016 £
<b>Cashflows from operating activities:</b>		
Net cash provided by / (used in) operating activities	(21,478)	115,614
<b>Cashflows from investing activities:</b>		
Interest received	5,370	3,179
Purchase of furniture, fittings and equipment	(1,376)	(5,864)
<i>Net cash (used in) investing activities</i>	<u>3,994</u>	<u>(2,685)</u>
<i>Change in cash and cash equivalents in the reporting period</i>	<u>(17,484)</u>	<u>(112,929)</u>
<i>Cash and cash equivalents at the beginning of the reporting period</i>	<u>412,994</u>	<u>300,065</u>
<i>Cash and cash equivalents at the end of the reporting period</i>	<u><u>395,510</u></u>	<u><u>412,994</u></u>
<b>Reconciliation of net income to net cash flow from operating activities</b>		
<i>Net income for the reporting period (as per the statement of financial activities)</i>	(9,531)	47,883
<b>Adjustments for:</b>		
Depreciation charges	6,092	6,055
Interest received	(5,370)	(3,179)
Decrease/(increase) in debtors	7,443	42,041
Increase in creditors	(20,112)	22,814
Net cash provided by / (used in) operating activities	<u>(21,478)</u>	<u>115,614</u>
<b>Analysis of cash and cash equivalents</b>		
Cash in hand	107,652	129,033
Notice deposits (less than 12 months)	287,858	283,961
<i>Total cash and cash equivalents at the end of the year</i>	<u><u>395,510</u></u>	<u><u>412,994</u></u>

## Notes to the Financial Statements for the year ending 31 January 2017

### **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 Critical Accounting Judgements and key sources of estimation uncertainty**

In the application of the accounting policies, Trustees are required to make judgement, estimates, and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affected current and future periods.

In the view of the trustees, no assumptions concerning the future or estimation uncertainty affecting assets or liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

#### **1.4 Company status**

The Institute is a company limited by guarantee and does not have any share capital. The members of the Institute are the Governors named on page 19. 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. It was incorporated in England and Wales on 22 January 2001 (company number: 04145584) and registered as a charity on 3 August 2001 (charity number: 1087856). The registered address is on page 21.

#### **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.

## Notes to the Financial Statements for the year ending 31 January 2017

### **1.6 Income recognition**

All income is 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.

### **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 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.

### **1.9 Investment income**

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

### **1.10 Expenditure**

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, an allocation of support costs is made based on staff head count and the time spent on the activities.

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.

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.

### **1.11 Operating leases**

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

## Notes to the Financial Statements for the year ending 31 January 2017

### 1.12 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.

### 1.13 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

### 1.14 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.

### 1.15 VAT

The Pensions Policy Institute is registered for VAT.

### 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.

## Notes to the Financial Statements for the year ending 31 January 2017

2. Incoming resources from charitable activity – research	Total Funds 2017 £	Total Funds 2016 £
Research Grants	110,093	86,066
Commissioned Research	332,055	305,498
Membership income	335,414	347,939
Other income	16,770	4,300
Total	<u>£794,332</u>	<u>£743,803</u>

In 2017, charitable income includes £36,723 of restricted income (2016: £44,499) which was income allocated to restricted funds.

3. Investment income	Total Funds 2017 £	Total Funds 2016 £
Bank interest receivable	5,370	3,179

4. Expenditure	Direct staff costs £	Other direct costs £	Support costs £	2017 £	2016 £
Research	520,936	150,572	137,725	809,233	699,099
Total	<u>£520,936</u>	<u>£150,572</u>	<u>£137,725</u>	<u>£809,233</u>	<u>£699,099</u>

In 2017, the expenditure on charitable activities included £36,723 (2016: £44,499) which was expenditure from restricted funds.

5. Support costs include	Staff Costs £	Office costs £	Other costs £	2017 £	2016 £
Governance	40,828	-	14,887	55,715	51,799
Other Support costs	49,690	12,197	20,123	82,010	78,138
Total	<u>£90,518</u>	<u>£12,197</u>	<u>£35,010</u>	<u>£137,725</u>	<u>£129,937</u>

## Notes to the Financial Statements for the year ending 31 January 2017

<b>6. Governance</b>	<b>Total Funds 2017 £</b>	<b>Total Funds 2016 £</b>
Salaries	40,828	35,955
Audit and accountancy	6,850	8,516
Legal and professional fees	1,112	3,462
Other costs	6,925	3,866
	<u>55,715</u>	<u>51,799</u>

<b>7. Net (expenditure)/income</b>	<b>2017 £</b>	<b>2016 £</b>
This is stated after charging:		
Depreciation of tangible fixed assets:		
- owned by the Institute	6,092	6,055
Auditor's remuneration – audit services excluding VAT	6,800	6,600
- other services excluding VAT	-	1,250
Pension costs	51,379	46,999
	<u>51,379</u>	<u>46,999</u>

During the year, no Council Member received any remuneration (2016: £NIL).

During the year, no Council Member received any benefits in kind (2016: £NIL).

During the year, one Council Member received reimbursement of travel expenses £543 (2016: two Council Members received £447).

<b>8. Staff costs and numbers</b>	<b>2017 £</b>	<b>2016 £</b>
Wages and salaries	506,148	448,001
Social security costs	53,927	48,196
Other pension costs	51,379	46,999
	<u>£611,454</u>	<u>£543,196</u>

The average total number of staff employed in the period was 10.9 (2016: 9.9); including full time staff of 10.9 (2016: 9.7) and 0 (2016: 0.3) part time staff.

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

	<b>2017</b>	<b>2016</b>
£70,000 - £ 80,000	1	1
£90,000 - £100,000	-	1
£100,000 - £110,000	1	-
	<u>2</u>	<u>2</u>

In respect of the higher paid employees above, contributions for the provision of pension benefits totalled £20,949 (2016: £20,011).

## Notes to the Financial Statements for the year ending 31 January 2017

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

	2017	2016
Salaries	£175,775	£164,008
Social Security	£21,567	£20,179
Pension	£20,949	£20,011
	<u>£218,291</u>	<u>£204,198</u>

### 9. Tangible fixed assets

#### Furniture, fittings and equipment £

#### Cost

At 1 February 2016	22,969
Additions	1,376
Disposals	(978)
At 31 January 2017	<u>£23,368</u>

#### Depreciation

At 1 February 2016	15,148
Charge for the year	6,092
Disposals	(978)
At 31 January 2017	<u>£20,262</u>

#### Net book value

At 31 January 2017	<u>£3,106</u>
At 31 January 2016	<u>£7,821</u>

### 10. Debtors: Due within one year

	2017	2016
	£	£

Debtors	62,281	131,734
Prepayments	9,285	5,196
Accrued income	100,868	42,948
	<u>£172,434</u>	<u>£179,878</u>

## Notes to the Financial Statements for the year ending 31 January 2017

<b>11. Creditors: amounts falling due within one year</b>	<b>2017</b>	<b>2016</b>
	£	£
Social security and other taxes	13,680	31,892
Accruals	18,788	19,761
Deferred income (see note 13)	180,776	188,189
Other creditors	434	4,586
Pension	1,988	4,642
	<u>£215,666</u>	<u>£249,070</u>
<b>12. Creditors: amounts falling due after one year</b>	<b>2017</b>	<b>2016</b>
	£	£
Deferred income (see note 13)	13,292	-
	<u>£13,292</u>	<u>-</u>
<b>13. Deferred income</b>	<b>2017</b>	<b>2016</b>
	£	£
Deferred income brought forward at 1 February 2016	188,189	191,938
Membership income received in advance	167,293	184,439
Commissioned Research received in advance	26,400	3,750
Other income received in advance	375	-
Released to Statement of Financial Activities	(188,189)	(191,938)
Deferred income carried forward at 31 January 2017	<u>£194,068</u>	<u>£188,189</u>
<b>14. Financial assets &amp; liabilities</b>	<b>2017</b>	<b>2016</b>
	£	£
Financial assets measured at amortised cost (a)	558,659	587,676
Financial liabilities measured at amortised cost (b)	(196,490)	(197,417)
Net financial liabilities measured at amortised cost	<u>362,169</u>	<u>390,259</u>
(a) Financial assets include cash, accrued income and trade and other debtors.		
(b) Financial liabilities include deferred income, other creditors and pension creditors.		

## Notes to the Financial Statements for the year ending 31 January 2017

15. Statement of funds	Brought Forward £	Income £	Expenditure £	Carried Forward £
<b>Unrestricted funds</b>				
General funds	351,623	762,979	772,510	342,092
<b>Restricted funds</b>				
Nuffield Foundation – CASPeR Project	-	26,043	26,043	-
The Joseph Rowntree Foundation	-	10,680	10,680	-
Subtotal	-	36,723	36,723	-
Total Funds	<u>£351,623</u>	<u>£799,702</u>	<u>£809,233</u>	<u>£342,092</u>

### 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 project ended December 2016.
- The **Under-pensioned 2016** commissioned by Age UK, the Joseph Rowntree Foundation, The People's Pension and the TUC, 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. The project launched in March 2016.

All restricted funds were expended within the financial year.

16. Analysis of net assets between funds	Restricted Funds 2017 £	Unrestricted Funds 2017 £	Total Funds 2017 £	Total Funds 2016 £
Tangible fixed assets	-	3,106	3,106	7,821
Current assets	-	567,944	567,944	592,872
Creditors due within one year	-	(215,666)	(215,666)	(249,070)
Creditors due after one year	-	(13,292)	(13,292)	-
Total	<u>-</u>	<u>£342,092</u>	<u>£342,092</u>	<u>£351,623</u>

### 17. 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 £51,379 (2016: £46,999).

## Notes to the Financial Statements for the year ending 31 January 2017

### 18. 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 £7,200. 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 £7,200. 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 £15,138, they have received a discount for a three year renewal. The Pensions Regulator has also contributed £9,500 to the Consumer Engagement research series. 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 £10,950. Lawrence Churchill CBE is a Trustee of Age UK and also Chairman of the PPI Council. Age UK is a Silver Supporting Member of the PPI and contributed to PPI research totalling £9,600.

### 19. Operating lease commitments

At 31 January 2017, the Institute's future minimum operating lease payments are as follows:

<b>Building</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
within 1 year	-	<b>32,643</b>
within 2 - 5 years	-	-
	<b>=====</b>	<b>=====</b>

Operating lease charges made to the Statement of Financial Activities during the year totalled £32,528 (2016: £17,137).

### 20. Post balance sheet events

There were no post balance sheet events to note.

## Appendix: research completed during 2016-17

<b>Annual Publications</b>	<b>Published</b>	<b>Funder</b>
Pension Facts	Oct-16	Membership scheme
The Future Book: unravelling workplace pensions, second edition 2016	Sep-16	Columbia Threadneedle Investments
The Pensions Primer: a guide to the UK pensions system	Jun-16	Membership scheme

<b>Briefing Notes</b>	<b>Published</b>	<b>Funder</b>
BN88. Defined Benefits: the role of governance	Feb-17	Mercer
BN87. PhD Series 1: the impact of automatic enrolment in the UK as at 2016	Jan-17	Membership scheme
BN86. Defined benefits: today and tomorrow	Dec-16	Mercer
BN85. Engagement of younger adults with pension saving	Nov-16	Membership scheme
BN84. How do female lifecourses affect retirement? (WHERL project)	Jul-16	Economic & Social Research Council and the Medical Research Council
BN83. How could the effect of rises in SPa be mitigated for the most vulnerable?	Jul-16	Age UK
BN82. Lifetime ISAs - the international evidence	Jun-16	Royal London
BN81. Lifetime ISAs: pension complement or rival?	May-16	Membership scheme
BN80. Independent Governance Committees (IGCs)	Apr-16	Membership scheme
BN79. Recent developments in the Local Government Pension Schemes (LGPS)	Feb-16	Membership scheme

<b>Reports</b>	<b>Published</b>	<b>Funder</b>
Consumer engagement: barriers and biases	Feb-17	Consortium - Pinstent Masons, the Association of British Insurers, the Institute & Faculty of Actuaries, LV=, State Street Global Advisors, The Pensions Advisory Service, The Pensions Regulator, The People's Pension and the Universities Superannuation Scheme

Care and State Pension Reform: Interactions between state and pension long-term care reforms – a summary of findings (CASPeR project)	Dec-16	The Nuffield Foundation
The new pensions landscape	Nov-16	Consortium – the Association of British Insurers, the Chartered Insurance Institute, the Department for Work and Pensions, The People’s Pension, the Pensions & Lifetime Savings Association
Adequacy in retirement	Nov-16	the Pensions & Lifetime Savings Association
Automatic enrolment changes	Nov-16	NOW: Pensions
Long-term care financing: should the planned cap on liability to meet care costs be uniform across England? (CASPeR project)	Oct-16	The Nuffield Foundation
At-retirement financial advice in the workplace report	Sep-16	LV=
The distributional impact of State Pension age rises	Sep-16	Membership Scheme
Future trends in pensions tax relief	Jul-16	The Resolution Foundation
Long-term care funding – a comparison between England, Wales and Scotland (CASPeR project)	Jun-16	The Nuffield Foundation
Value for money in DC workplace pensions	May-16	Standard Life Group
Consumer financial advice and guidance for high risk DC savers	Mar-16	LV=
The under-pensioned 2016	Mar-16	Consortium – Age UK, the Joseph Rowntree Foundation, The People’s Pension, the Trade Union Congress
The impact of postponement of reforms for long-term care financing in England (CASPeR project)	Feb-16	The Nuffield Foundation

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