

Our History: 2001 – 2021.

In the summer of 1997, the Secretary of State, Harriot Harman, asked Tom Ross OBE to lead The Pensions Provision Group (PPG) to assess the likely trends in pensions provision. The review concluded that there was a need for an organisation, independent of government, to have lead responsibility for accumulating, analysing and publishing information about current and future pension provision and its implication for pension policy. In the summer of 2001, the PPI was born. For nearly 20 years we have been analysing future trends and developing expertise in analysing what demographic changes mean for policy.

In 2001, the founding Trustees articulated three key questions...

- 1. Why, in spite of an array of policies, do so many people find their incomes in retirement falling short of acceptable levels?**
- 2. What further changes are needed to stop this happening in the future?**
- 3. Can more be done to ensure all these policies are cohesive and durable?**

...and highlighted certain factors prevalent at the time:

- A. Poor public understanding of retirement provision outside of professional experts**
- B. A then government policy to raise private retirement income from 40% of the total to 60%, with publicly funded elements reducing from 60% to 40%**
- C. The significant contribution from occupational Defined Benefit pensions**
- D. Low earners affordability issues and particularly in view of the interaction with means-tested benefits.**

It was envisaged that the PPI would be able to explain the implications of such trends and the interaction between them, how they might affect future living standards, how they shape choices for Government and how they might influence the behavioural responses of individuals, employers and pensions providers.

The Institute was established for the advancement of education for the benefit of the public by promotion, on a non-political, not-for profit basis, of the study of, and the dissemination of the useful results of the study of, pensions and other provision for retirement and later life, and the economic and social effects and influences of existing arrangements and possible changes to them.

The PPI is a registered charity, solely funded by the support of our Members, Research Sponsors and Individual Donors. Our institutional form is both a Company Limited by Guarantee under the Companies Act 2006 and a registered charity with the Charity Commission.

The Developing Landscape.

The last twenty years have seen significant developments in pensions policy and practice including:

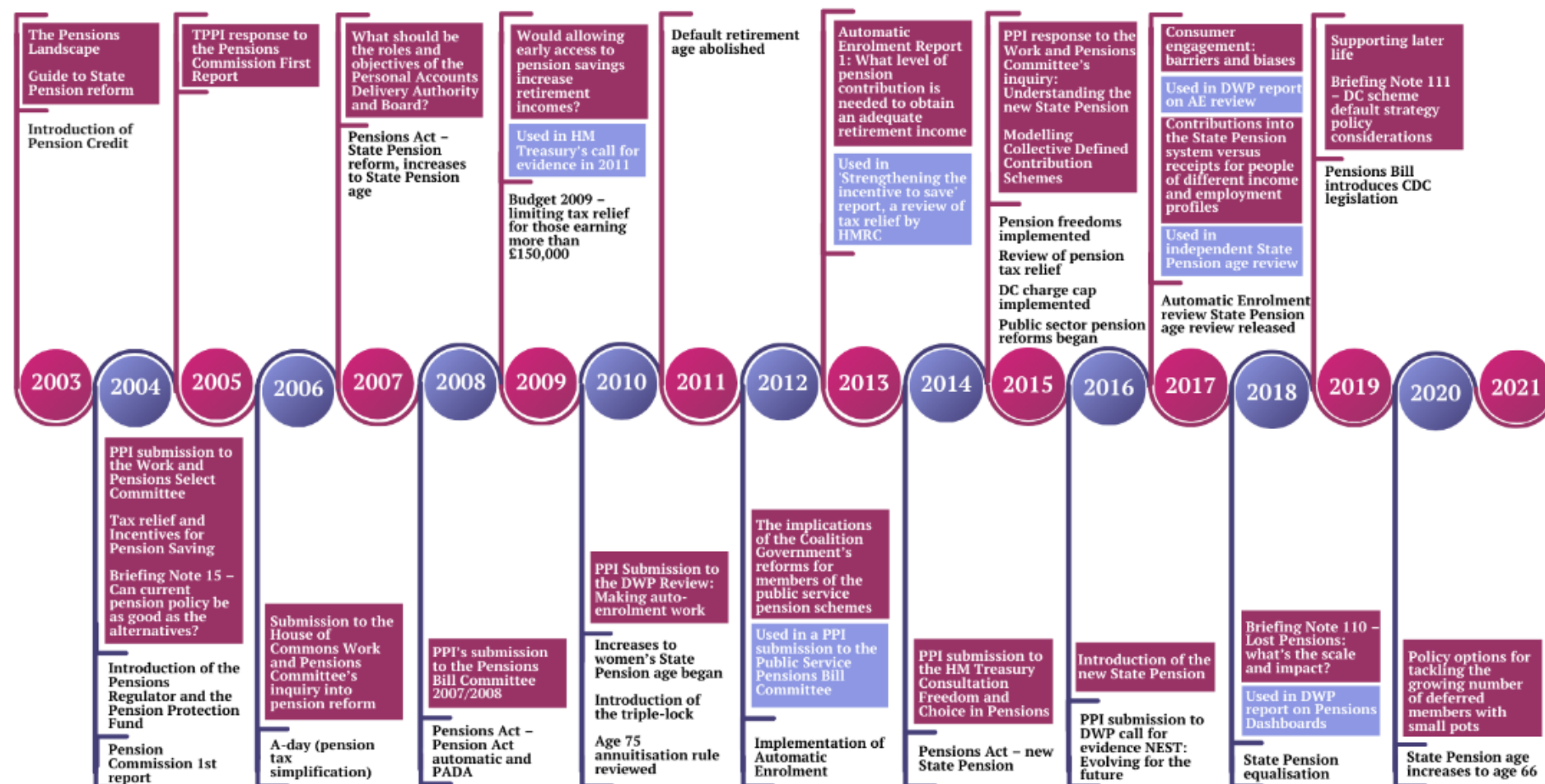
- 1) A de-emphasising of the policy to get 60% of pensions from private saving
- 2) The Pensions Commission analysis and recommendations from 2004/5
- 3) The creation of the Pensions Protection Fund in the 2004 Pensions Act
- 4) Automatic enrolment and the creation of NEST
- 5) The demise of Defined Benefit provision and the increase in DC provision
- 6) The emerging understanding of Behavioural Economics
- 7) The transferring risk from government and institutions to individuals
- 8) Sponsoring firms having to comply with more stringent accounting standards
- 9) Liberalisation of qualifying criteria for the state pension
- 10) The introduction of a new simpler single tier state pension designed to reduce reliance on means tested benefits
- 11) The creation of IGCs to provide oversight of Value for Money in contract DC schemes
- 12) Constant changes of policy on how much individuals can save in a pension vehicle
- 13) The introduction of “Freedom and Choice” and the removal of compulsory annuitisation
- 14) The increased emphasis on ESG factors in investment.

The landscape has completely changed in pensions policy, not to mention that during this period the UK has been through the deepest recession in two generations as part of the Global Financial Crisis of 2008, and labour market structures have changed radically in response. At the time of writing this prospectus in 2020, the impact on society of the Covid-19 pandemic is still unknown, although it is likely to accelerate an interest in inequalities delivered by current social, political and economic systems.

But some things have not changed! Public understanding of retirement finances has not increased – completely understandable given the amount of policy change; the sustainability of the public finances is still a major issue, the incentive system which Government provides to encourage long term saving is still being questioned, and the question of whether people will have enough to live on to an acceptable standard in retirement is still difficult for individuals to assess.

How we make a difference

Our research reports have informed policy making for almost 20 years – here's some highlights...



Addressing Current Needs.

The Future is Ever Changing
but the PPI remains a constant
"Voice of Reason" in the ongoing
debate on the future of
retirement in the UK.

The PPI is needed even more now than it was in 2001. The scale and scope of policy change (some of which is mentioned above) creates even more need for objective and evidence-based analysis.

As we approached our 20th anniversary, the Trustees thought it appropriate to see if we were still focused on the right issues and how we should adapt to the emerging environment.

We have conducted a strategic review over the past 18 months and see several thematic developments to explore:

1 Modelling

One of our key assets is our modelling capability; we should continue to ensure that this remains best-in-class and to make it a more prominent part of our proposition. For further details on our models please visit our website

2 Funding for later life

We are conscious that in the modern environment "Pensions" may be too narrow a field given the importance of non-pensions saving, housing wealth, the incidence of working longer and its impact on retirement finances. So, we will embrace the topic of funding for later life more broadly.

3 International reach and co-operation

There are a number of institutions in the UK and around the world looking at the challenges of common issues such as population ageing or ESG. We see that there might be a role for PPI in partnering with other research institutions and making their reports more accessible.

4 Partnering

We have worked in partnership with other organisations to combine our expertise with that of others; in our more expanded field of interest, we see collaborations and partnerships becoming more common.

5 Active Governors

The PPI is privileged to count around 100 eminent individuals as Governors; we would like to explore how they could contribute more actively to PPI's outputs.

6 Research Associates

In addition to our own permanent core staff, we have developed a more flexible staffing model of Research Associates to pursue individual research projects.

7 Dissemination and Outreach

In order to make a contribution to creating more understanding among the public, we will investigate ways of collaborating with those closer to the end-user and those with objectives relating to financial capability to support their activities with our research. The delivery of outputs via research reports, and smaller Briefing Notes remains appropriate, though we would expect to expand this via webinars, and virtual meetings in the future.

Currently in the UK there is no active research network encompassing the extensive topic of retirement, long-term savings or investing. Previously the Pensions Research Network, led from Westminster University, existed but which has not been operational since c. 2013.

As part of the PPI's strategy development in 2019 - 2020 it was felt that there is an opportunity to set up (or re-establish) a network in order to advance research and knowledge in this field. The network would be a repository and hub and for all research output; the go-to place for people seeking data and evidence in the retirement space; the first step in the creation of a central ideas base.

Aims of the PPI Research Network

1. To enable access to research in the retirement space by providing a go-to place for the latest output as well as, in future, an archive of past work;
2. To promote knowledge sharing and dissemination of research into and around the retirement space;
3. To connect researchers working across different disciplinary fields across a variety of institutions and organisations; and
4. To facilitate interaction between different parts of the retirement world (academics, industry, policy makers, for example).

To discuss this initiative please contact sarah@pensionspolicyinstitute.org.uk

8 Scale and Funding

The greater complexity of UK pensions combined with more people saving in pensions than ever before, means there is more work to do to analyse the impact of policy and to identify what changes would produce better outcomes particularly if segments of the population ‘veer off course’. To do more requires more funding so we are looking at our funding model to both broaden the funding base and to attract longer term funding.

And in particular we are working on two strategic initiatives which we will help inform UK pensions policy.

1. What are individuals’ total retirement savings?

The Pensions Data Project

We are managing a cross industry initiative (**The Pensions Data Project**) to link across the various pension pots which individuals have, with different providers, generating what will be unprecedented levels of data.

The PPI has been working with a small number of like-minded Mastertrust providers to progress the development and creation of this data-set; Legal and General, NEST, NOW: Pensions, Smart Pension and The People’s Pension. We are currently working with the providers on extracting data, merging and aggregating it so as to enable answering two specific research questions:

- How many pension pots does an individual have?
- What is the size of the pension pots?

The initial phase is deliberately focused, to ensure that the foundation of the longer-term project is robust. In the future, subject to securing sufficient funding, the ambition is to expand the annual data collection to include:

- Other Mastertrusts
- Contract based DC schemes
- Defined benefit schemes

The ultimate ambition is to link the Pensions Data Project data set with that of other large scale sets, such as Annual Survey of Hours and Earnings. This prospect is enticing as it will open up a new and greater evidence base for government, pension providers, institutes, think tanks and academics, on which to conduct analysis leading to evidence-based policy decisions.

www.pensionsdatapoint.org.uk

2. How can the impact of different policies be assessed in a consistent manner?

Pensions Framework

In our first prospectus, one of the aims for the institute was “to encourage the right framework for long-term pension planning”. As the PPI considers the wider topic of retirement planning, we are developing such a framework, which will cover both state and private systems.

The PPI, (sponsored by Aviva), is developing a comprehensive framework to evaluate the UK pensions system and impacts of policy change over time. Using consistent, tailored and robust measures, it aims to assess performance against key objectives and highlight where interactions between system components result in trade-offs and policy gaps.

The framework is being developed over the course of 2021 in collaboration with industry and policy advisors and other key stakeholders. Covering both state and private sector pension provision, analysis against core objectives of adequacy, fairness and sustainability will be enriched by considering pervasive and emerging themes.

Several frameworks exist to evaluate pension systems around the world at present. However, no single model encompasses measures which can consistently reflect the characteristics and complexities of the UK system. The PPI pensions framework seeks to fill this gap by becoming a valuable and recognized resource which tracks how the system is working for those who participate in and depend upon it highlighting trends, outlying areas or policy gaps by tracking the impacts of changes to policy and policy levers over time.

The ambition is to inculcate the framework in the PPI’s research output to show where in the UK pensions system the impact would be of different policy options and what the possible trade-offs may be. In addition, we will write a regular ‘state of the nation’ report; an ongoing OBR-type analysis that can be repeated, highlighting the performance, and changes in performance, of the UK system.

Our Purpose, Vision, Values and Mission.

The pensions policy world is constantly evolving and changing, and we adapt and evolve with these changes to policy.

However, our core values remain the same, we believe that better information and understanding will lead to a better policy framework and a better provision of retirement income for all. Our aim is to be the authoritative voice on policy on pensions and the provision of retirement income in the UK.

Our Vision:

Better informed policies and decisions that improve later life outcomes

We believe that better information and understanding will help lead to a better policy framework and a better provision of retirement income for all.

Our Mission:

To promote informed, evidence-based policies and decisions for financial provision in later life through independent research and analysis

We aim to be the authoritative voice on policy on pensions and the financial and economic provision in later life.

Our Values

Our core values that define us are:

**INDEPENDENT
ROBUST**

**EVIDENCE BASED
CLEAR**

**CREDIBLE
HIGH QUALITY**

How we achieve our mission.

We have established five pillars that form the foundation of our activities and how we aim to reach our vision.

1. We provide relevant and accessible information on the extent and nature of financial provision in later life, and any associated implications.
2. We lead the debate and contribute fact-based analysis and commentary to the policymaking process.
3. We encourage research on later life provision (at the PPI and with others) that informs policy and decision-making.
4. We are a trusted source of information and analysis and impartial feedback to those with an interest in later life issues.
5. We model the impact of policy changes on financial provision in later life.

Our Impact.

While there is never a single direct link between any one research institute and policy changes made by government, the PPI has been influential in policy developments covering single tier pensions, automatic enrolment, freedom and choice, collective defined contribution schemes, the under-pensioned, women and pensions, tax relief and ESG. In addition to direct responses to consultation requests, over the years we also conducted more detailed research around the specific topic areas.

The PPI gives you the power to influence the cutting-edge of policy making. Each research report combines experience with independence to deliver a robust and informative output, ultimately improving the retirement outcome for millions of savers.

The standing, reputation and experience of our Trustees and Governors also reinforces the PPI's independence and credibility. In the Annex we illustrate a sample of these backgrounds and also statements from key influencers who have nominated examples of PPI's work which has influenced their thinking.

In July 2020, the PPI's report **"Policy options for tackling the growing number of deferred members with small pots"** sponsored by NOW: Pensions was successfully launched. Subsequently, the PPI worked closely with the DWP in setting up and contributing to their Small Pots Working Group. The PPI report identified the need for change if savers are to receive the full benefits from workplace pensions and that the industry would need to collaborate to reach a consensus on the way to address the issue.

The sponsor wanted PPI's independent analysis to shine a neutral light onto this area and lift it up the public policy agenda, which was achieved when DWP subsequently set up a Small Pots Working Group.

Our Research

Our research reports are the key deliverable and are supplemented by launch and discussion events. We provide evidence to influence and enable those responsible for policy making to have robust and healthy discussion about its implications for different parts of the population, different stakeholders and government.

PPI research is used as evidence presented to the Work and Pensions Select Committee and Bill Committees, briefings with Ministers and opposition shadows, senior civil servants and citations in Parliamentary debates, Government consultations and papers. Additionally, we have close working links with Government Departments.

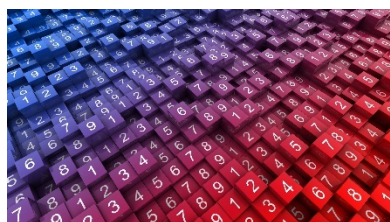
To enable better informed policies and decisions that improve later life outcomes the policy making process needs to be underpinned by evidence-based research. The PPI is an essential part of this and our rigorous control procedures and strong and transparent governance protocols ensures that our research is independent, balanced and considers the necessary trade-offs between different stakeholders. We are proud that our research is used frequently by Government, Parliament, industry, consumers, academics, trade bodies, consumer groups and the media to improve policy and individual outcomes.

As a small team of dedicated and passionate researchers, we present high quality, accessible, rigorous, peer-reviewed research designed to facilitate the right conversations. Our modelling capability under-pins our analysis and is a key differentiator for the PPI. We constantly enhance and improve our models and modelling capabilities to ensure that the suite remains the “best in breed”.

We can only do what we do if our members and other organisations sponsor our research. This could be a topic that you’re keen to explore or one that we develop together. By sponsoring, you will be supporting us with our vision to help improve later life outcomes by providing robust and reliable evidence to shape the future of policy.

[To view all PPI Research and Briefing Notes, please click here...](#)

The Power of the PPI Models.



Introduction

To gain the greatest impact from policy analysis requires not just qualitative research but to be able to quantify the implications for those who may be affected. A policymaker must know who stands to benefit, what is the cost and who may bear it. Through the PPI's modelling we seek to answer these questions by testing alternative futures of policies, behaviours or circumstances.

What do we model and why do we model it?

The PPI has a suite of models within its modelling suite with the option to use them stochastically to be able to quantify the uncertainty in our projections. We use these to build up a view of the future considering the world from either the impacts upon individuals and their finances or the impact upon the exchequer and their cashflows.

Using the *Individual Model*, we can project the retirement of an individual or household understanding their finances in retirement allowing for their private pension saving and financial circumstances alongside state provision and benefits. At a larger scale the *Dynamic Model* allows the projection of a complete cohort of individuals with their own financial circumstances and allows for dynamic behaviour based upon their attributes throughout the projection.

The *Aggregate Model* allows us to consider the future from the perspective of the Exchequer. The model has the capacity to project the pension provision of the UK in aggregate looking at the costs and cashflows and numbers of individuals both accruing savings and in receipt of both private and state pension. The *Distributional Model* takes these aggregate projections and uses a representative distribution of pensioners to understand the implications that changing levels of savings and provision will have upon the costs and take up of means tested benefits in the pensioner population.

We have developed supplementary and ad hoc models allowing us to investigate other issues. These have allowed us to undertake projections of providers in both the Defined Benefits and Automatic Enrolment Defined Contributions arenas as well as investigate issues such as tax relief and Collective Defined Contribution pension schemes to a greater depth.

Why is our modelling special?

We use our models, not to confirm a hypothesis or to justify a policy position, but to investigate and to quantify. We are open and honest about the assumptions and approach used, primarily taking our economic outlook from the Office for Budgetary Responsibility. This ensures an open, consistent view which can be compared with projections from other bodies. Based upon this openness we communicate our results to those who need to understand the implications of the policies not the implications of our models. We add value to the numbers through interpretation of the results to illustrate the ramifications of the

options being modelled and communicate them in appropriate language to those who need to understand.

The result is that we model more issues in an unbiased manner without the preconceptions, commercial concerns or political bias that may be present in other projections. There is independent oversight of the models and assumptions by the PPI's Model Review Board to ensure that the models remain effective, informative and free from bias.

How did the models get here and where are they going?

The models were originally developed with funding from the Nuffield Foundation. They have been supplemented with input from the mathematic department of King's College London who developed the stochastic functionality. The models are constantly under review to ensure that they are fit for purpose and reflect the current policy environment. This includes updates to the populations projected and the assumptions made about their life-courses as well the economic and policy environments that this takes place in.

On top of this we ensure that there is the flexibility to model alternative scenarios to be able to continually inform the pensions debate and ensure that policy is based upon robust evidence.

Support the PPI to build a better future.

**75% of our current
membership have been
members for over 5 years**



The PPI plays a vital role in ensuring policy is shaped using evidence-based research. The research that we produce is an essential part of the evidence-based policy making process and is used frequently by Government, Parliament, industry, consumers, academics, trade bodies and the media to assist with the production of best policy outcomes.

We have been analysing future trends for 20 years and are experts in analysing what demographic changes mean for policy. Simply put, we present high quality, accessible, rigorous, peer-reviewed research designed to facilitate the right conversations.

In order to continue to produce this vital element of the policy landscape we rely upon the support of our Supporting Members, Research Sponsors, and Individual Donors. As a charity these sources of income are our only sources and without you the PPI would not exist.

As the future of retirement changes for all of us, the PPI's mission, to promote informed, evidence-based policies and decisions for financial provision in later life through independent research and analysis is more vital than ever before.

Why get Involved?



There are many reasons why organisations and individuals to support the PPI either as Supporting Members, Research Sponsors or by providing an individual donation:

Public Service The concept of an Ageing Society and Ageing Well only began to form relatively recently. Society has begun to realise that old notions about later life are no longer apposite. The problem is recognised

but we are still working on effective solutions. Funding our later years is a substantial task and needs to evolve further.

Many Charities whose objects are focused in this area, Grant giving institutions and commercial corporations are keen to be part of the creative impetus to develop new policy solutions which can be presented to Government.

Brand Enhancement Many organisations wish to develop their brand and make it more appealing to their stakeholders. Being seen as forward thinking and supporting innovation in serious and difficult policy areas can add lustre to the brand and give the organisation even more respect.

Social Justice Increasingly, we are all becoming aware of the inequalities in society and how they can affect both life chances and quality of life for individuals. Pensions and lifetime financial security are cross-generational issues where the development of policies that really work to reduce inequalities is of paramount importance. Many institutions have a strong interest in this field including the Corporate Responsibility departments of many commercial firms.

Building Income Put simply, many firms in the financial services industries would benefit commercially, if better solutions were found in how people can save more and how we can manage our financial resources in later life more effectively.

Providing Independent Assurance Many organisations are conscious of improvement that could be made to policy but have a weaker voice if they stand alone. The scrutiny and in-depth research which the PPI can provide can both improve on the idea and strengthen the proposal for change through provision of independent assurance.

Continuous Professional Development All professionals working in the financial and pensions industries need to stay up to date with the latest thinking and research to enhance their own knowledge and capability – and potentially their careers. Reading PPI research output and attending PPI curated materials and discussion events is a stimulating way developing your career.

[For further details on supporting the PPI, please click here...](#)

Act Now – Contact Information



If you would be interested in finding out how you can support the PPI to achieve our vision by either sponsoring research, becoming a supporting member, or donating as an individual, please contact any of us.

Chris Curry
Director
chirs@pensionspolicyinstitute.org.uk

Sarah Luheshi
Deputy Director
sarah@pensionspolicyinstitute.org.uk

Danielle Baker
Head of Membership & External Engagement
danielle@pensionspolicyinstitute.org.uk

Maritha Lightbourne,
Head of Finance & Operations
maritha@pensionspolicyinstitute.org.uk

Testimonials.

Rob Yuille

**Assistant Director,
Head of Long-Term Savings Policy
Association of British Insurers (ABI)**

Silver Members since 2004

"Policy needs impartial and thorough research on the issues and ideas of the day. In pensions, the PPI plays a key role in delivering that. We have commissioned the PPI to improve the evidence base on specific topics, and joined with other funders to support the ambitious projects the PPI has initiated itself. The whole sector benefits from an independent perspective, without an agenda, which adds to our collective knowledge."



Steven Hill

Head of Public Affairs, Phoenix Group

Gold Members since 2018

"We chose to work with the PPI because of their strong reputation for high quality, impartial research on pensions issues. The calibre of their people is excellent, which is reflected in their output, both in terms of written material and the associated events that they facilitate. Their work is highly valued by a range of government departments and regulators with whom they enjoy good relationships, and as a consequence their reports are influential in informing public policy discussions about pensions. In short, they are a highly professional outfit and a very pleasant group of people to work with."



Stephen Lowe

**Group Communications Director
Just Group plc**

Platinum Members since 2015

"The Pension Policy Institute provides expert, independent and robust analysis of all things pensions. They recruit talented colleagues to deliver analysis and insight to complete challenging assignments across the total width of the pension landscape. Their assignments are ambitious and their outputs and events are industrious. They also happen to be jolly nice people to work with!"





Michael Housden, Head of Institutional
Business, EMEA at Columbia
Threadneedle Investments



“Since its inaugural publication in 2015, Columbia Threadneedle Investments has been proud to collaborate with the Pensions Policy Institute (PPI) on its annual The DC Future Book. Now in its sixth edition, The DC Future Book continues to promote a better understanding of the Defined Contribution (DC) market in the UK with its extensive insights into the likely future direction of DC workplace pensions by tracking membership rates, contribution levels, pot sizes, auto-enrolment milestones, investment allocation trends and much more. Indeed, it has now become the longitudinal study it was always envisaged to be.

Columbia Threadneedle chose to work with the PPI given the organisation’s unparalleled reputation and independent approach to DC research. This collaboration has allowed Columbia Threadneedle to expand its DC thought leadership and to provide the right DC fund solutions for clients.

In its quest to materially improve retirement outcomes, The DC Future Book has become an invaluable source of DC thought leadership, which encourages informed discussion and debate. Moreover, in appealing to policymakers, regulators, product providers, asset managers, consultants, and financial advisers it has also become a catalyst for change.”