PENSIONS AND LIFETIME SAVINGS ASSOCIATION

ANNUAL REPORT AND ACCOUNTS 2016

July 2017

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A MESSAGE FROM OUR CHAIR

WE BEGAN 2016 WITH ONE KEY CHALLENGE: TO BUILD ON OUR RELAUNCH AS THE PENSIONS AND LIFETIME SAVINGS ASSOCIATION AND START BEING THE PLSA AS WELL AS CALLING OURSELVES THE PLSA.

In early 2016, members were still telling me that our change of name and expansion of scope was long overdue. Now we had to start moving into the new world of Lifetime Savings, an idea that most people I speak to in the industry recognise as the future, but which is still emerging and gaining definition.

Much of our Lifetime Savings work in 2016 was about research and understanding of people's attitudes towards pensions and other forms of savings and how they expect to fund their retirement. It is becoming increasingly clear that many people are relying on assets they do not yet own – ie property – and that the ones they do – pensions – may not be enough to sustain them in retirement without an increase in contributions.

For younger people, the Lifetime ISA may or may not provide a partial solution. The LISA was the headline pensions policy in the 2016 Budget – not, as many had expected, a wholesale change to pensions tax relief. We campaigned hard against tax changes and I personally met with David Gauke, MP, then Financial Secretary to the Treasury, to outline the damaging consequences of proposed changes.

Of course, we should recognise that the EU referendum played a part in preventing tax changes. After the result, we set to work immediately speaking to members and Government about what it could mean for pension schemes. Our aim for the future is to avoid the Holistic Balance Sheet creeping back onto the EU agenda. We successfully fought it off in 2016; now we need to make sure it doesn't return at a time when Brexit means we can't do anything about it.

The most high-profile pensions issue in Government in 2016 was undoubtedly the future of defined benefit pensions, with the issues played out on the front pages once again as Tata Steel struggled with its scheme and BHS unravelled amid fierce criticism from the Work and Pensions Select Committee.

Against this backdrop it was fitting that our headline policy project in 2016 was the DB Taskforce, which launched in March and published its first report in October. It will face up to the huge challenges facing defined benefit pensions – and seek solutions to the difficulties faced by many of our traditional members, older DB pension schemes, who the PLSA will continue to serve for decades ahead.

I'm pleased that the former Pensions Minister, Richard Harrington MP, was so supportive of the project and focused his own resources on the future of DB. We were encouraged by his approach and his desire to meet with us on a number occasions – many of our members will have seen him at the Annual Conference & Exhibition 2016, and he met with us privately too. We hope to have a similar relationship with his successor.

Master trusts, the prime deliverers of auto-enrolment, are a significant feature of the future pensions landscape. We recognised this within the PLSA's governance structure in 2016 with the creation of a Master Trust Committee, which operates alongside the DB and DC Councils. However, it is becoming increasingly clear that

WE ENDED 2016 HAVING MADE SIGNIFICANT PROGRESS TOWARDS MODERNISING THE PLSA AND TACKLING NEW CHALLENGES, WHILE STILL DOING THE THINGS THAT HAVE MADE THIS ORGANISATION SUCCESSFUL FOR OVER 90 YEARS.

our policy work doesn't fit neatly into these separate domains, which is why I announced a review of our governance structure last October – members will see the conclusions in 2017 and will be able to vote on any significant changes at the AGM in October.

So, we ended 2016 having made significant progress towards modernising the PLSA and tackling new challenges, while still doing the things that have made this organisation successful for over 90 years.

I would like to thank all of the staff at the PLSA for their hard work during 2016 and into 2017, which began with Joanne Segars being absent from the office with illness and then, after recovering fully, taking the decision to leave the organisation after 10 years as CEO. We wish her well. She leaves a strong team at the PLSA and I am confident in their ability to keep providing the best possible service for members as we look forward to the future for pensions and lifetime savings.

I would also like to thank my fellow Board members and the members of our DB and DC Councils, the Master Trust Committee and our other policy bodies for the time and support they have given to the PLSA.

I have a feeling there will be further challenges ahead and I'm looking forward to meeting them with you as we help everyone achieve a better income in retirement.

Lesley Williams
PLSA Chair

ACTING CHIEF EXECUTIVE'S UPDATE

IN 2016 WE MADE SOME BIG STRIDES TOWARDS LIVING OUR NEW IDENTITY WHILE MAKING SURE WE STILL PROVIDE THE SERVICES THAT OUR MEMBERS VALUE MOST.

Our policy work produced a number of results for members: two of the headlines were about avoiding tax reform and EU regulation that would have been very harmful to our members. The DB Taskforce Interim Report, published in October was well received by members and the industry . It took the debate about the future of DB pension beyond acknowledging that there's a problem and we need to do something about it and into analysis of what the problem actually is, how it came about and what we really could do about it. Meanwhile, the Retirement Quality Mark is already helping savers to navigate the new set of significant and difficult choices they have to make in retirement.

We continued our good work on corporate governance with the publication of *Understanding the Worth of the Workforce: A Stewardship Toolkit for Pension Funds*. And in line with that, we've done our best in this report to give members a sense of the worth of our own people.

Internally we invested significantly in people development during 2016. Like any good employer, we want to make sure our staff can do their best and develop in their roles. We completely revised our objective-setting and performance appraisal processes alongside the development of new learning and development policies to make that happen.

All of our staff are really proud of our events – and putting them on is one of the best parts of working at the PLSA. It was another great year for them, with our members creating a fantastic atmosphere in Liverpool, Edinburgh and the Cotswolds and our speakers providing insightful talking points. Our Hot Topic Seminars, PensionsConnection events and various seminars, teach-ins and forums also brought together a huge number of our members to share ideas and experience, for the benefit of everyone involved in pensions. We also made Lifetime Savings part of the programme for our major events as we created the place where the future direction of lifetime saving is discussed – including discussion with younger people through our *Conference Challenge* at the Annual Conference & Exhibition in October.

Financially, we performed well. We don't aim to make a profit and we ended 2016 with a modest operating surplus of £208,000, which is around our usual level. Members' subscriptions increased by only 1% for 2016, in line with September's RPI, and we were pleased with retention rates of 97% for fund members and 91% for business members by income.

It was a good year for new members too, with 60 new fund members and 38 new business members adding their support to the voice of pensions and lifetime savings in the UK.

It's very important to us that all of our members enjoy a positive experience and are engaged fully with our work. That depends on the work that we do, the way we do it and how we talk about it. We want to build a positive future for pensions, be as helpful as we can be to our members (and to their members), welcome ideas and opinions from everyone involved in pensions and lifetime savings, and provide the authority and the expertise to help those ideas flourish.

WE WANT TO BUILD A POSITIVE FUTURE FOR PENSIONS, BE AS HELPFUL AS WE CAN BE TO OUR MEMBERS (AND THE THEIR MEMBERS), WELCOME IDEAS AND OPINIONS FROM EVERYONE INVOLVED IN PENSIONS AND LIFETIME SAVINGS, AND PROVIDE THE AUTHORITY AND THE EXPERTISE TO HELP THOSE IDEAS FLOURISH.

Research with members and stakeholders underway at the time this report is published will measure how far we've come – and we'll be communicating the results with members later in 2017.

In the meantime we're going to keep delivering what we do best, while reflecting on the journey that took us to our first full year as the PLSA and where it should take us next. We will continue to be ambitious and to keep improving, and I'd like to thank all of the people at the PLSA for their continued commitment and drive in doing so on behalf of our members.

I would also like to thank our members for your support and engagement during another important year in pensions. I look forward to working with you in the future.

Julian Mund
Acting Chief Executive

THE VOICE OF PENSIONS AND LIFETIME SAVINGS

WE'RE THE PENSIONS AND LIFETIME SAVINGS ASSOCIATION, THE NATIONAL ASSOCIATION WITH A NINETY-YEAR HISTORY OF HELPING PENSION PROFESSIONALS RUN BETTER PENSION SCHEMES.

Our members include over 1,300 pension schemes with 20 million members and £1 trillion in assets, and over 400 supporting businesses. They make us the voice for pensions and lifetime savings in Westminster, Whitehall and Brussels.

OUR PURPOSE

OUR PURPOSE IS SIMPLE:

WE HELP EVERYONE ACHIEVE A BETTER INCOME IN RETIREMENT

OUR AIMS FOR 2015-2020

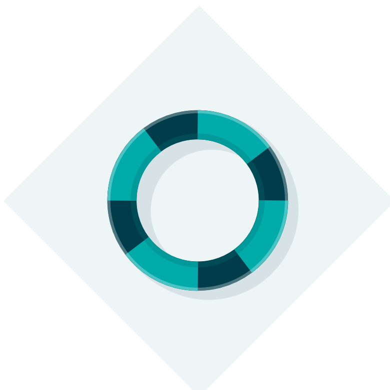
WE SPEAK FOR ALL OF THE WORKPLACE PENSIONS SECTOR

Getting them together behind a common goal and making sure the government and regulators understand it.

WE SPEAK ABOUT PENSIONS & LIFETIME SAVINGS

Making the market work for employers, schemes and savers.

WE SUPPORT SAVERS



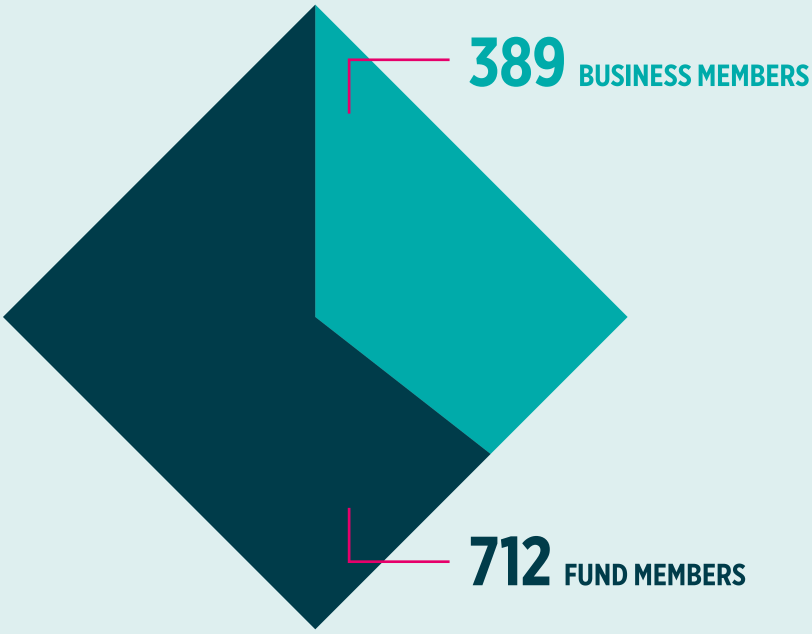
Recognising good quality schemes and products and helping savers' employers and schemes to help them.

OUR MEMBERS

OUR FUND MEMBERS ARE EMPLOYERS OR PENSION SCHEMES THAT PROVIDE PENSIONS FOR 20 MILLION PEOPLE IN THE UK.

They include large, long-established defined benefit and defined contribution schemes as well as smaller schemes of both types. They also included the largest members of the master trust sector, which has expanded rapidly as the vehicle for auto-enrolment.

Our business members provide pension schemes with the services they need to help their members achieve a better income in retirement, such as investment consultancy, asset management, legal advice, data management and administration.



OUR VALUES

TO ACHIEVE OUR GOALS, WE ARE:

OUR FINANCES

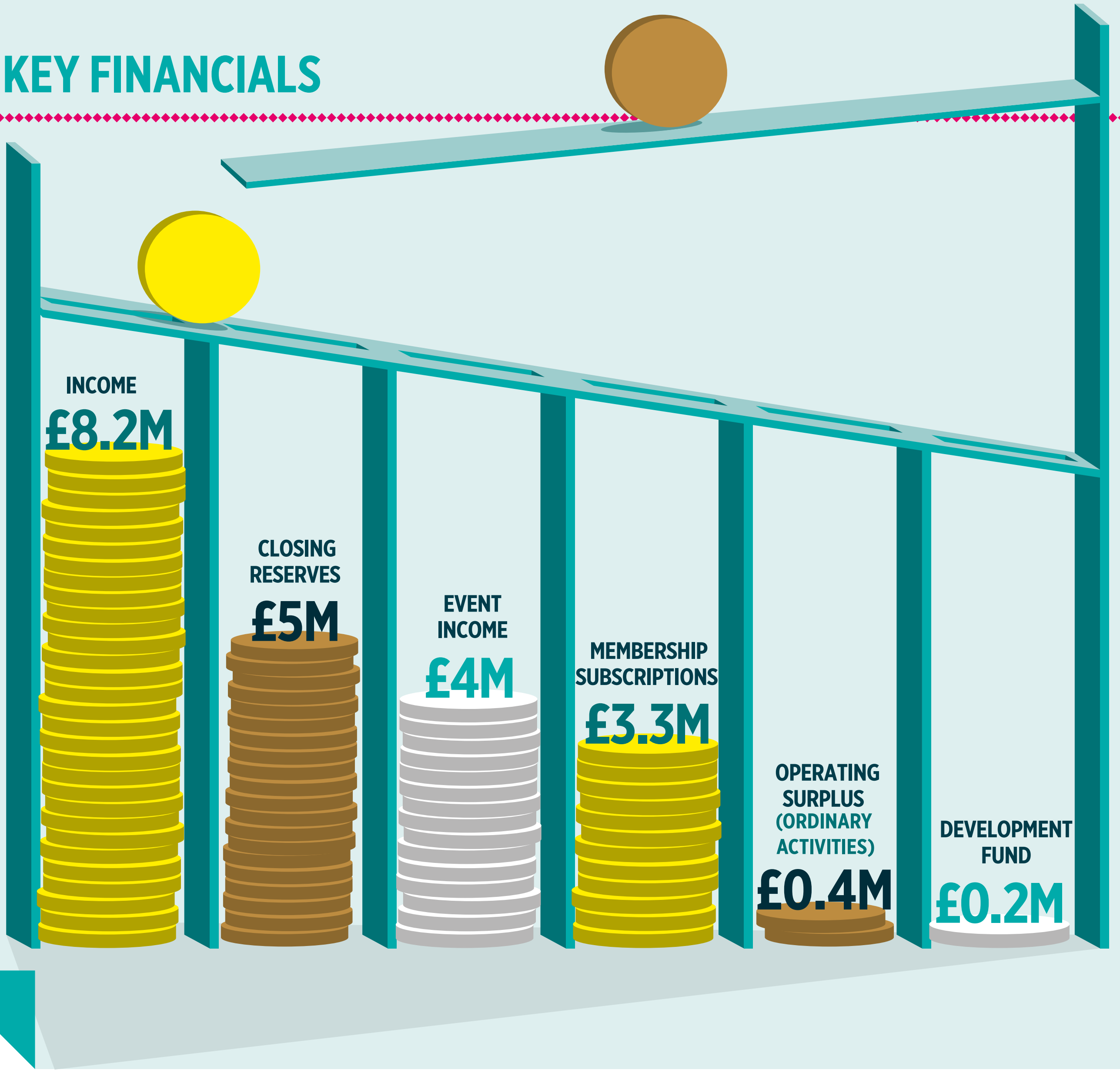
AS A SMALL NOT-FOR-PROFIT ORGANISATION, WE AIM TO GENERATE A MODEST OPERATING SURPLUS EACH YEAR TO ENSURE WE HAVE SUFFICIENT RESERVES TO GIVE OURSELVES FINANCIAL STABILITY.

At the close of 2016 our finances continue to be in good shape, with an operating surplus of £208,000 achieved and a surplus of £362,000 before deducting expenditure from the Development Fund. This was established in 2014 and allocated £1.5 million of our reserves to be invested in activities outside our normal day-to-day work – largely the branding, product development and research work needed to support our relaunch as the Pensions and Lifetime Savings Association. Altogether we had invested £800,000 of this by the end of 2016, with a further £260,000 allocated to activities planned for 2017, and £450,000 remaining available for future allocation.

Although the buy-out of the former DB scheme reduced our reserves significantly in 2015, we continue to hold over £5 million in reserves at the end of 2016. The Board considers this an adequate amount both to provide funds for future development, and to manage any contingency that might arise.

PLSA is the sole member of Pensions Infrastructure Platform Limited (PiP), but cannot profit from its legal ownership and is not liable for any losses it incurs. Consequently, after taking advice, we are no longer consolidating PiP into the PLSA group accounts. 2015's accounts have been restated to reflect this change.

KEY FINANCIALS



OUR PEOPLE

OUR PEOPLE ARE, OF COURSE, FUNDAMENTAL TO OUR SUCCESS. IT IS THEIR HARD WORK AND EXPERTISE THAT SECURES THE POLICY WINS AND DELIVERS FIRST CLASS TRAINING AND CONFERENCES.

Although we are a small organisation, of about 50 people, we have a diverse range of activities across policy, press and government affairs, events, marketing and publishing, member relations, business development and finance.

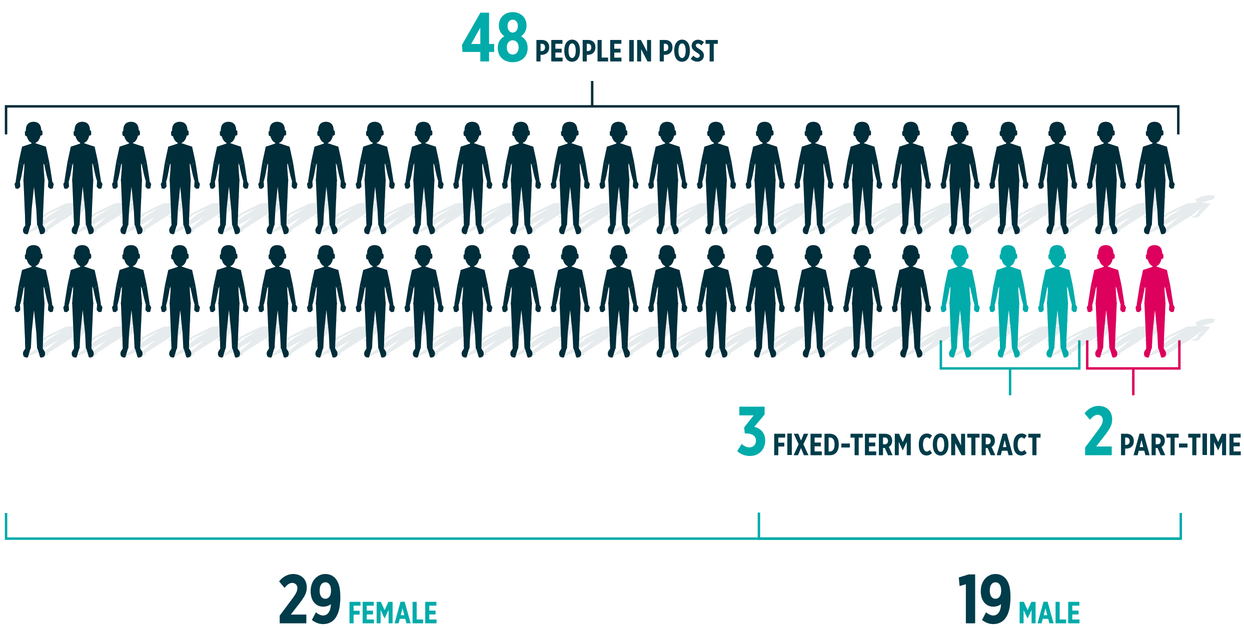
We work to ensure all our staff are aware of all our work, and engaged with it. We hold regular briefings of all staff, as well as social events and awaydays. During the year, we completely updated our objective setting and performance review arrangements, to reflect the new values we had adopted as part of our rebranding in 2015. All staff can earn performance related bonuses reflecting the outcome of their reviews.

We also support flexible working, helping our staff to manage their lives outside of the PLSA, including parents and carers and other staff who need different arrangements from the traditional working week.

During 2016 we have continued to develop our Leadership Group, those of our staff who have management and leadership responsibility. Our aim is to engage them more fully both in the development and management of the PLSA and to support them as they focus on the development of their teams.

Towards the end of the year, and in early 2017, we have been building a new Learning and Development Strategy to focus on the training and personal development of all our staff.

PLSA STAFF PROFILE AT DECEMBER 2016



PAY GAP REPORT

FROM APRIL 2017 ORGANISATIONS OF OVER 250 EMPLOYEES HAVE TO PUBLISH INFORMATION ON THE PAY GAP BETWEEN THEIR MALE AND FEMALE EMPLOYEES.

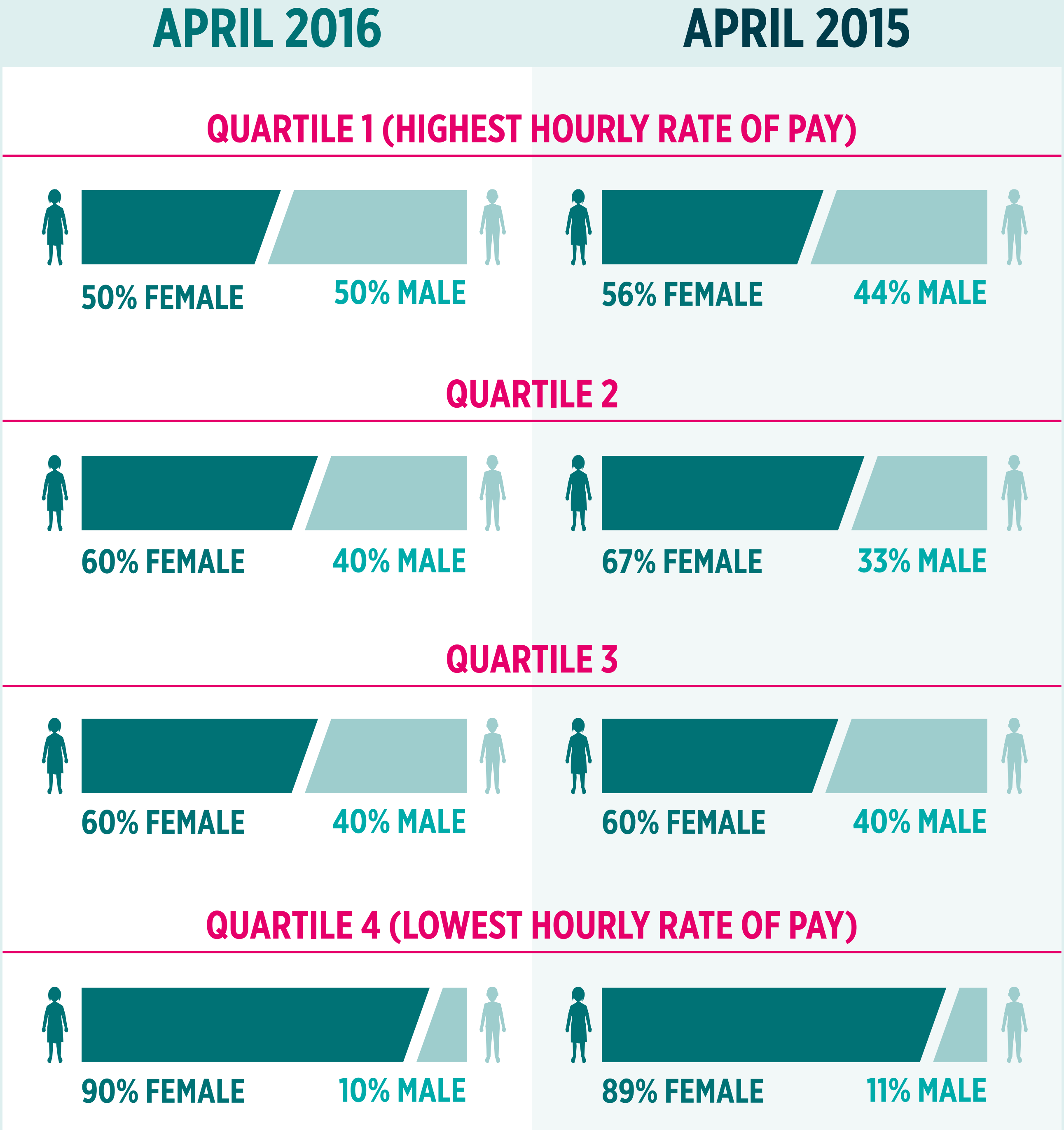
Although there is no requirement for us to do so, as we have been campaigning for improved diversity in the pensions industry, we think it's only right that we report on this too.

Since we are a small organisation, our figures can be skewed significantly by the pay of a few individuals. In 2016 we had 22 male employees and 30 female employees. Overall, male employees, more of whom hold senior or more technical positions, were paid a higher average hourly rate than female employees.

PAY GAP INFORMATION

	APRIL 2016	APRIL 2015
MEAN GENDER PAY GAP	19%	20%
MEDIAN GENDER PAY GAP	23%	20%
MEAN BONUS PAY GAP	2%	-20%
MEDIAN BONUS PAY GAP	18%	25%
PROPORTION OF MALES RECEIVING A BONUS PAYMENT	67%	67%
PROPORTION OF FEMALES RECEIVING A BONUS PAYMENT	92%	83%

PAY BAND INFORMATION



The pay band information shows the proportion of females and males in four quartile pay bands. The Gov.uk website has more information on gender pay reporting.

WE HAVE BEEN CAMPAIGNING FOR IMPROVED DIVERSITY

BRINGING THE INDUSTRY TOGETHER

ANNUAL CONFERENCE & EXHIBITION

OUR ANNUAL CONFERENCE & EXHIBITION IN LIVERPOOL IN 2016 WAS ANOTHER HUGE EVENT, WITH MORE THAN 1,600 PENSIONS PROFESSIONALS ATTENDING.

"I THOUGHT IT WAS EXCELLENT – FAR OUTSTRIPPED MY EXPECTATIONS"

Delegate appraisal, 2016

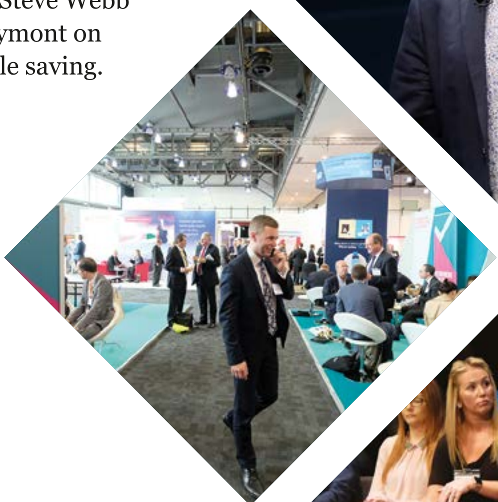
Andrew Neil,
broadcaster

Richard Harrington MP,
then Parliamentary Under Secretary of State for Pensions

Lenny Henry,
activist and comedian

Pascal Lamy,
former Director-General,
World Trade Organisation

Our Conference challenge teams,
two groups of young people who worked with Sir Steve Webb and Gregg McClymont on ways to get people saving.



EVENTS

3,617 PEOPLE ATTENDED

12 CONFERENCES AND EVENTS IN 2016

118 BUSINESS MEMBERS EXHIBITED

CONFERENCES

ANNUAL CONFERENCE & EXHIBITION

INVESTMENT CONFERENCE

LOCAL AUTHORITY CONFERENCE

TRUSTEE CONFERENCE

Other conference speakers included:

- **Yanis Varoufakis**, former Finance Minister of Greece (pictured)
- **Lesley Titcomb**, Chief Executive of the Pensions Regulator

OTHER EVENTS

9 PENSIONS CONNECTION EVENTS

6 BREAKFASTS FOR PENSION FUND CEOS

1 LOCAL AUTHORITY FORUM

4 HOT TOPIC SEMINARS

3 FUND MEMBER BREAKFASTS

PENSION QUALITY MARK

PENSION QUALITY MARK

THE PENSION QUALITY MARK (PQM) IS THE HIGHEST STANDARD OF EXCELLENCE AVAILABLE TO UK EMPLOYERS TO DEMONSTRATE THE BENEFITS OF THEIR PENSION OFFERING.

IT IS RECOGNISED BY THE HR AND PENSIONS INDUSTRIES, AND THE GOVERNMENT.

BROUGHT TO YOU BY THE PENSIONS AND LIFETIME SAVINGS ASSOCIATION, THE PQM IS FOR ALL DC SCHEMES, WHETHER TRUST OR CONTRACT BASED.

3 RQM HOLDERS = **1,233** SAVERS

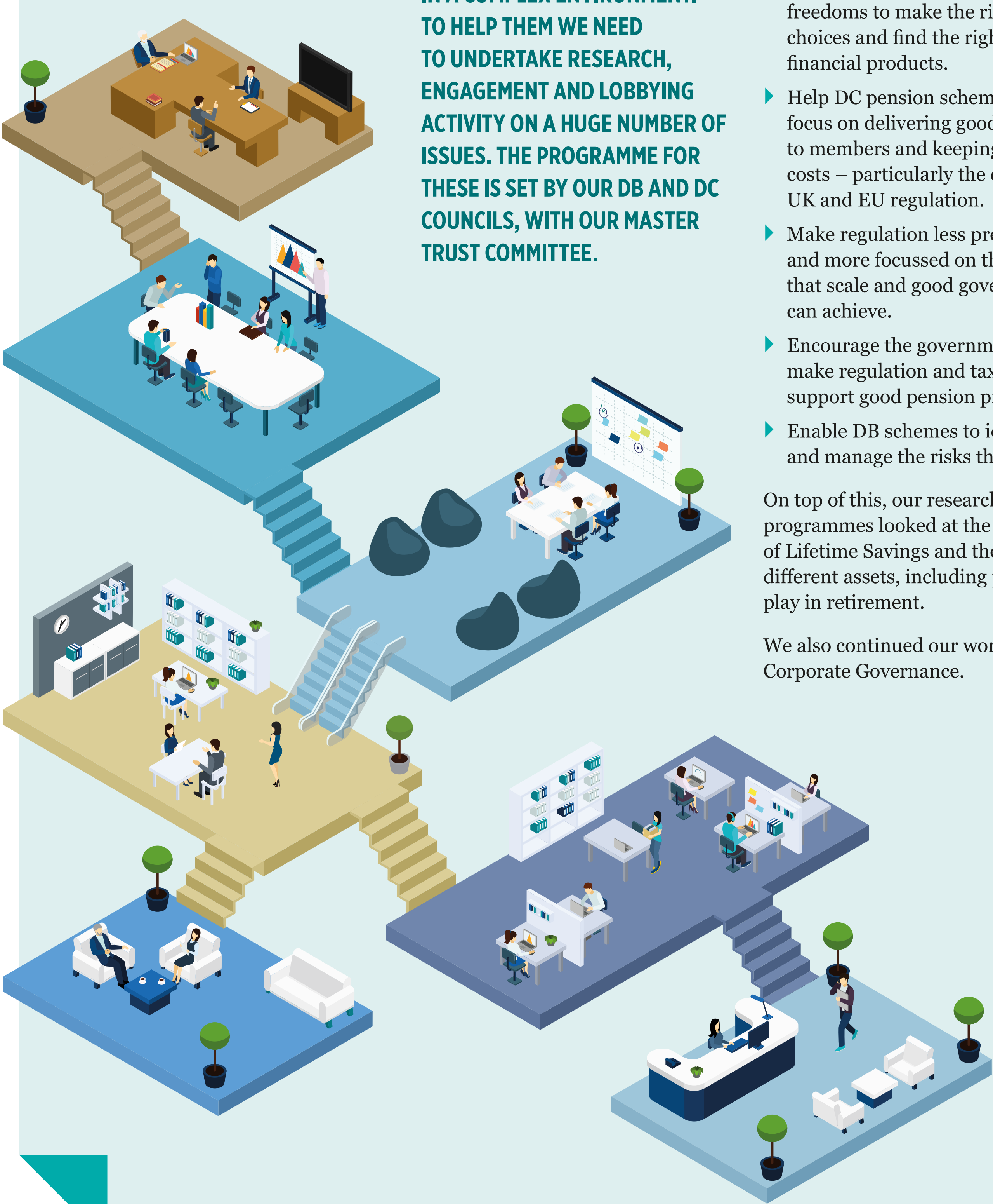
12 PQM READY HOLDERS = **7.3M** SAVERS × **£476B** IN AUM

223 PQM & PQM PLUS HOLDERS = **1.3M** SAVERS × **£194B** IN AUM

RETIREMENT QUALITY MARK

- Launched the Retirement Quality Mark in October 2016 with three accredited products at launch.
- Held meetings with over 100 organisations including schemes, providers and advisors on how they could contribute to the improvement of standards in the industry.

POLICY AND RESEARCH THAT MAKES A DIFFERENCE



OUR MEMBERS RUN AND PROVIDE SERVICES TO PENSION SCHEMES IN A COMPLEX ENVIRONMENT. TO HELP THEM WE NEED TO UNDERTAKE RESEARCH, ENGAGEMENT AND LOBBYING ACTIVITY ON A HUGE NUMBER OF ISSUES. THE PROGRAMME FOR THESE IS SET BY OUR DB AND DC COUNCILS, WITH OUR MASTER TRUST COMMITTEE.

In 2016 our Councils' policy programme included work to:

- Help savers using the pensions freedoms to make the right choices and find the right financial products.
- Help DC pension schemes focus on delivering good value to members and keeping down costs – particularly the costs of UK and EU regulation.
- Make regulation less prescriptive and more focussed on the results that scale and good governance can achieve.
- Encourage the government to make regulation and taxation support good pension provision.
- Enable DB schemes to identify and manage the risks they face.

On top of this, our research programmes looked at the scope of Lifetime Savings and the part different assets, including property, play in retirement.

We also continued our work in Corporate Governance.

HERE ARE SOME HIGHLIGHTS OF OUR WORK IN 2016:

PENSIONS

DB UNDER PRESSURE – TIME TO ACT

AT OUR INVESTMENT CONFERENCE IN MARCH WE LAUNCHED THE DB TASKFORCE, WHICH BECAME THE DOMINANT FOCUS OF OUR DB WORK FOR THE REST OF THE YEAR AND INTO 2017.

Led by Ashok Gupta, formerly deputy chair of the Bank of England's Procyclicality Working Group, the Taskforce set out to tackle the problems faced by defined benefit pension schemes.

These problems often seem too complex or enormous to address – given the size of deficits and the numbers of schemes and members involved – but the unfolding crises in the British Steel and BHS schemes highlighted the need to secure the future of all of the 27.3 million people who currently benefit from a DB pension, or will do in the future.

In the summer, the Taskforce asked all DB pension funds to submit evidence on the challenges they face. Its first report, launched in September, set out the problems with the DB pensions system and what had to be done next

1. There are too many schemes. We have to explore whether schemes could be consolidated and whether that would make them more sustainable for employers and members.
2. Regulation isn't flexible enough. We have to investigate how changes to the system could deliver better solutions to scheme resolution and how we can remove regulation that adds cost but has little or no tangible benefit.
3. Benefit design is too rigid. We need to understand whether a more flexible approach to benefit design could be implemented to help sustain schemes.
4. We don't assess risk in the right way. We need to develop better measures of the risk to benefits.

The urgency of the DB issue was demonstrated again later in 2016 when our Annual Survey of members found that costs for operating DB schemes increased by an average of 37 per cent in one year – and 63 per cent for smaller schemes.

The Taskforce's work continued into 2017 with a second report published in March and a third planned for later in 2017. See our **website** for more information.

NO CHANGE TO PENSIONS TAX RELIEF

SOMETIMES OUR POLICY WORK HAS TO FOCUS ON AVOIDING DAMAGING CHANGES TO PENSIONS. WITH THE HELP OF ANALYSIS FROM OUR MEMBERS, WE CONTINUED TO CAMPAIGN AGAINST REFORMS TO PENSIONS TAX RELIEF THAT WERE CONSULTED ON BY THE FORMER CHANCELLOR GEORGE OSBORNE IN 2015.

Throughout, we stressed that the best option for the Government was to retain the current system. We were pleased the Government listened, recognised that huge changes to pension tax relief will not act as an incentive to save, and signalled a change of course with the Lifetime ISA in the 2016 Budget.

We will continue to represent our members' views and engage with Government to make sure the Lifetime ISA is an effective and sustainable complement to pensions saving.

AN END TO THE HOLISTIC BALANCE SHEET

AWAY FROM THE POLITICAL BATTLE OVER THE UK'S FUTURE IN EUROPE, WE CONTINUED TO WORK WITH MEPS, OFFICIALS AND THE EUROPEAN PENSIONS REGULATOR, THE EUROPEAN INSURANCE AND OCCUPATIONAL PENSIONS AUTHORITY (EIOPA) ON CHANGES TO THE IORP DIRECTIVE AND NEW RISK ASSESSMENT RULES – THE HOLISTIC BALANCE SHEET CONCEPT, NOW RENAMED THE 'COMMON METHODOLOGY'.

Responding to the results of EIOPA's stress tests on occupational pensions schemes in January, we pointed out yet again the damage that the Holistic Balance Sheet would do to pension provision by inflating deficits to far higher levels than under current methods of measurement.

Following a campaign that lasted several years, we declared victory in April, when EIOPA published a 'Quantitative Assessment of the Holistic Balance Sheet' in which it announced that it is ending its work on a solvency-based funding regime for pension schemes.

RESEARCH AND LIFETIME SAVINGS

NO MORE NORMAL, IT'S PIONEER TERRITORY

THE THIRD REPORT IN OUR UNDERSTANDING RETIREMENT RESEARCH SERIES, PENSION FREEDOMS: NO MORE NORMAL, WAS THE FIRST MAJOR MARKET-WIDE SURVEY OF WHO DID WHAT AND WHY IN THE FIRST SIX MONTHS OF THE PENSION FREEDOMS, MAPPING THE DECISION-MAKING PROCESS FOR OVER FOUR MILLION INDIVIDUALS AGED 55-70.

The research focused on the 2.8 million with at least one DC pot not yet in payment – the pioneers of the pension freedoms.

We identified three clear groups of people in that first cohort:

Actioners – early adopters, a distinct and affluent group, many with experience of self-invested personal pensions (SIPPs) or income drawdown.

Investigators – assessing their options, the largest group, limited experience of drawdown, limited DC savings but largely reliant on DC and other savings for an income in retirement.

Inactives – the most vulnerable group, many still working, this group is the most reliant on their DC savings to provide an income in retirement but have the lowest levels of financial confidence.

We said that, to help these groups – and especially the inactives – we need to map the new pension freedom territory to allow savers to cross it confidently.

That's why the Board of the Pension Quality Mark launched a new **Retirement Quality Mark,** an independent accreditation awarded to providers of the best at-retirement products, with the first awards made in October.

USING PROPERTY TO FUND RETIREMENT – NO CHOICE?

WE'RE WORKING WITH DJS ON RESEARCH WITH THE GENERAL PUBLIC LOOKING AT HOW THEY CURRENTLY OR INTEND TO USE PROPERTY TO FINANCE THEIR RETIREMENT. THE RESEARCH CONSISTED OF A SURVEY WITH 1,650 PEOPLE, AS WELL AS 15 QUALITATIVE DEPTH INTERVIEWS.

The findings show that 2 million people in the UK, less than one fifth of current retirees, are using property to finance their retirement and for those that do the most common approach is to downsize their property.

However younger savers feel that they are more likely to use property when they retire (33 per cent of those aged 35-44 feel that they will have no choice but to do so).

More findings from the research, focussing on the differences between generations as well as consumer segmentation, were released in April 2017, with a report to follow.

ADEQUACY

OUR NOVEMBER REPORT RETIREMENT INCOME ADEQUACY: GENERATION BY GENERATION COMPARED THE POSSIBLE PENSIONS OUTCOMES OF MILLENNIALS WITH BABY BOOMERS AND GENERATION X.

We found that:

- 18-35 year olds, the Millennials, will benefit from automatic enrolment – but only if contributions are increased and they are prepared and able to retire later than previous generations.
- Generation X are caught in-between the slow decline of defined benefit pensions and the roll-out of automatic enrolment – they will find it more difficult to achieve an adequate income in retirement without working longer and using other assets.
- Baby Boomers are the split generation – some have very good prospects thanks to defined benefit, and many have property wealth, but others will be heavily dependent on the State Pension and will face longer working lives.

And that strengthened our resolve in calling for the Government to create an independent commission with a remit to:

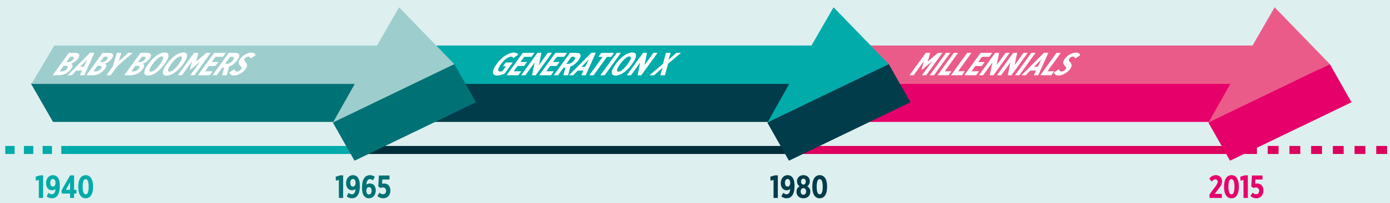
- review existing measures of adequacy and make recommendations for a national standard or standards which reflects the changing nature of retirement;
- make recommendations for increasing minimum contribution levels to at least 12% of salary including how and when this change should be made, and how it should be divided between worker and employer contributions;
- and make additional recommendations to improve the situation of older savers who have less time to benefit from an increase in contribution rates.

INTERGENERATIONAL ISSUES

MILLENNIALS WERE THE FOCUS OF MUCH OF OUR OTHER RESEARCH IN 2016 AS WE SOUGHT TO UNDERSTAND THEIR ATTITUDES TO PENSIONS AND LIFETIME SAVINGS.

In August we said that their plans to save for the long-term are curbed by short-term necessity. Although 53 per cent disagree with the idea that they tend to live for today and let tomorrow look after itself, many 18-35 year olds shy away from the sort of investments that give better returns over the long-term. 51 per cent told us they get more satisfaction from saving money than spending it.

But automatic enrolment is helping them: where a financial decision or situation becomes a fact of life, for example student loans, this group quickly accepts it and adapts. We've seen this behaviour in workplace pensions with a very low opt-out rate of just seven per cent by those aged under 35.



BRINGING INVESTORS OUT OF THE DARK

WE CONTINUED OUR CAMPAIGN TO IMPROVE REPORTING ON COMPANY WORKFORCES WITH OUR TOOLKIT, 'UNDERSTANDING THE WORTH OF THE WORKFORCE', DESIGNED TO PROVIDE PENSION SCHEMES AND INVESTORS WITH GUIDANCE ON WHAT DATA AND COMMENTARY THEY SHOULD REQUEST FROM THE COMPANIES IN WHICH THEY INVEST.

There is a growing recognition that companies committed to investing in training and development for their staff – and ensuring they feel secure, empowered and fairly treated in their jobs – perform better over the long-term. Clear, consistent and structured reporting about how companies manage their workforce is a vital component in allowing investors to understand how the asset of employees is being managed and developed.

The toolkit recommends pension schemes ask investee companies to report on the follow metrics as standard:

- Gender diversity
- Employment type (eg full time, part time, agency)
- Staff turnover
- Accidents, injuries and workplace illnesses
- Investment in training and development
- Pay ratios (across highest, median and lowest quartiles)
- Employee engagement

In October, with the support of then Pensions Minister, Richard Harrington MP, Newton Investment Management and USS Investment Management Limited, we wrote to the Chairs of FTSE 350 companies to make sure they understand the benefits of reporting workforce issues to investors.

As the Minister explained:

THE STATUS OF A FIRM'S WORKFORCE CAN BE A KEY ISSUE FOR INVESTORS. SO A TOOLKIT THAT HELPS BUSINESSES GIVE IMPORTANT INVESTORS SUCH AS PENSION SCHEMES THE DATA THEY NEED ABOUT THEIR WORKFORCE IS A GOOD THING AND I WELCOME THIS POSITIVE STEP BY THE PLSA.

OTHER HIGHLIGHTS:

- We put forward proposals to tackle pensions scams which were later taken up by the Government in its own consultation on measures to address the issue.
- We worked with our master trust members to make sure the Pension Schemes Bill both reflected their needs and offered the best protection for the millions of customers they have gained through automatic enrolment.
- Our 2016 AGM season report said that 87 per cent of pension funds say executive pay is too high – and raised concerns over the capacity of asset managers to fulfil their stewardship responsibilities.
- We supported the Pensions Regulator's work on 21st Century Trusteeship and Governance – but we said there is a need for radical measures in terms of the scale, standards and accountability of governance structures.
- We highlighted the magnitude of the legal and financial obligations faced by employers participating in the Local Government Pension Scheme (LGPS) and the concerns of some entrants about whether they can afford to stay in the pension scheme.
- After almost a decade of campaigning, we thanked the Government for removing prescriptive and out-of-date restrictions on how LGPS funds can invest, while warning against making powers so broad that funds can be directed on how they should invest in future. Meanwhile we continued to work with our LGPS members on preparations for pooled investment vehicles.

EDUCATION

644 people attended

56 Academy courses, teach-ins, learning zones and webinars in 2016

34% increase on 2015

OUR ACADEMY COVERS A WIDE RANGE OF TRAINING

FACE-TO-FACE AND ONLINE

TRAINING, WEBINARS AND HOUR-LONG TEACH-INS

They were trained by PLSA staff and our training partners from:

AHC

AON Hewitt

adveq

EY Building a better working world

HSBC Global Asset Management

CFA Institute

EQUINITI

Pinsent Masons

Punter Southall GROUP

Russell Investments

Sackers

Mccarron Heal Ltd

PLSA ACADEMY COURSES HELP OUR MEMBERS TO:

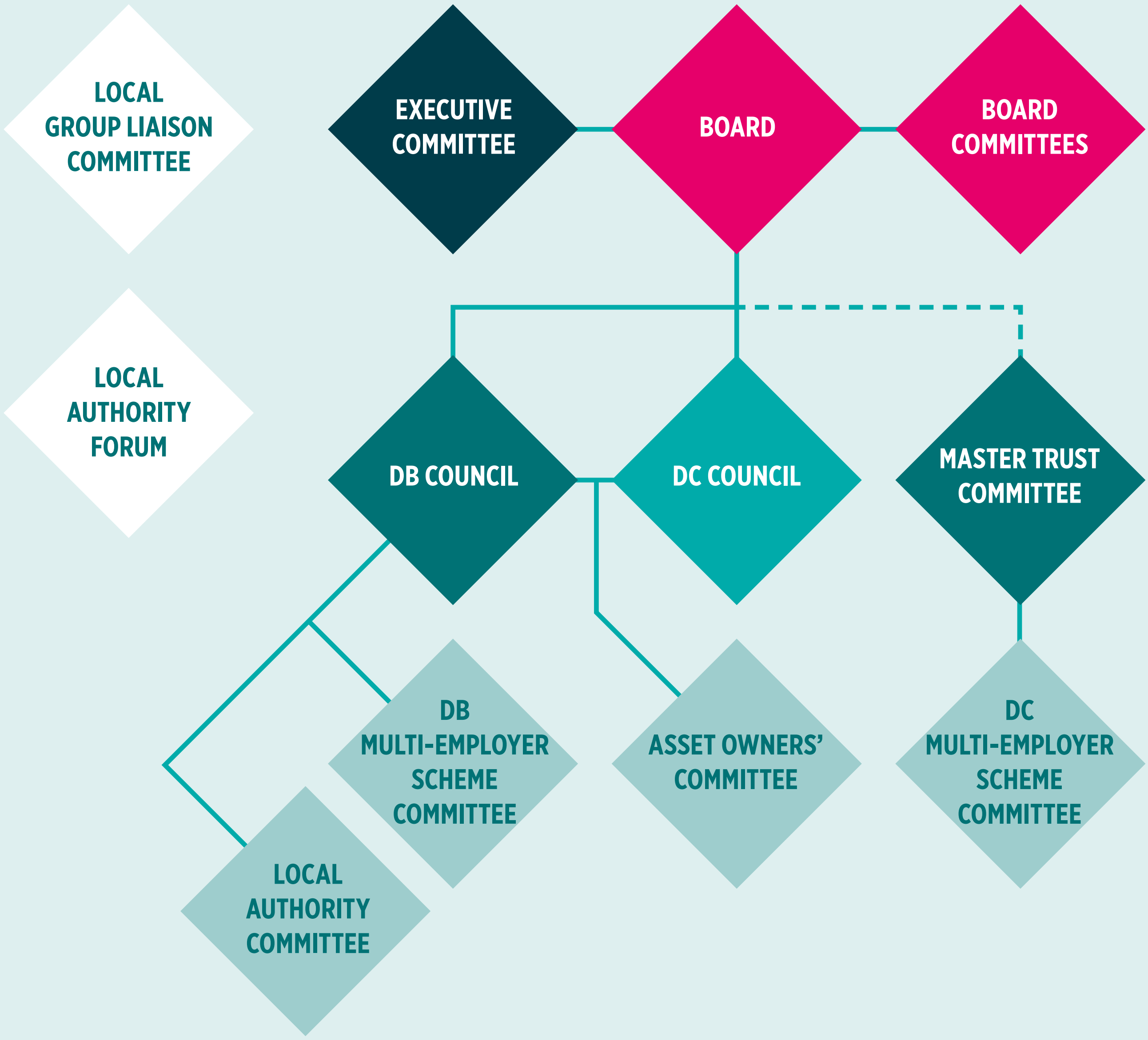
- Learn the basics of pensions management and trusteeship
- Manage LGPS Pension Boards
- Understand the investment industry
- Develop the skills needed to become future leaders in the pensions industry.

PENSIONS AND LIFETIME SAVINGS ACADEMY

WWW.PLSA.CO.UK/TRAINING

GOVERNANCE

OUR GOVERNANCE STRUCTURE AT THE END OF 2016:



GOVERNANCE REVIEW

IN OCTOBER, TWO YEARS AFTER LAUNCHING OUR NEW STRATEGY AND A YEAR AFTER WE UNVEILED OUR NEW NAME AND VALUES, WE ANNOUNCED A REVIEW OF OUR GOVERNANCE STRUCTURE.

We think it's the right time to look at whether the current structure of our Councils and committees is the best way to fulfil our objectives and whether we can modernise our Constitution – which has changed little since 1972. We want to make sure we can continue to do the best for our members in the future and to be flexible enough to respond to further changes in pensions.

OUR BOARD AND LEADERSHIP TEAM

NON-EXECUTIVE BOARD MEMBERS

Lesley Williams
Whitbread
Chair, Pensions and Lifetime Savings Association

Jackie Peel
MARS
Vice Chair, DB Council

Ruston Smith
Tesco
Immediate Past Chair

Jamie Fiveash
B&CE Benefit Schemes

Richard Butcher
PTL
Chair, DC Council

Robert Brown
Willis Towers Watson

Frank Johnson
Chair, DB Council

John Dembitz
Independent
Non-Executive Director

Carol Young
Royal Bank of Scotland
Vice Chair, DC Council

EXECUTIVE TEAM

Julian Mund
Acting Chief Executive

Mark Cooke
Director of Finance & Corporate Services

Graham Vidler
Director of External Affairs

Edward Bogira
Chief of Staff and Company Secretary

Joanne Segars
Chief Executive (until 30 June 2017)

BOARD AND COUNCIL MEETINGS

PENSIONS AND LIFETIME SAVINGS ASSOCIATION BOARD

NAME	POSITION	MEETINGS ATTENDED
Lesley Williams	Chair	4
Ruston Smith	Immediate Past Chair	4
Frank Johnson	Defined Benefit Council Chair	4
Jackie Peel	Defined Benefit Council Vice Chair	3
Robert Brown	Defined Benefit Council Representative	4
Richard Butcher	Defined Contribution Council Chair	3
Carol Young	Defined Contribution Council Vice Chair	4
Jamie Fiveash	Defined Contribution Council Representative	4
John Dembitz	Independent Non-Executive Director	4
Joanne Segars	Chief Executive	4
Mark Cooke	Director of Finance and Corporate Services	3
Julian Mund	Commercial Services Director	4
Graham Vidler	Director of External Affairs	4

The Board met on 18 February, 29 May, 3 September and 8 December.

BOARD COMMITTEES

AUDIT AND RISK MANAGEMENT COMMITTEE

NAME	MEETINGS ATTENDED	NOTES
Ruston Smith (Chair)	2	
John Dembitz	1	
Jamie Fiveash	0	1
Jackie Peel	1	2
Carol Young	2	

REMUNERATION COMMITTEE

NAME	MEETINGS ATTENDED	NOTES
Lesley Williams	1	3
Richard Butcher	1	
Frank Johnson (Chair)	1	4

NOMINATIONS COMMITTEE

NAME	MEETINGS ATTENDED	NOTES
Lesley Williams	-	3
Richard Butcher	-	
Frank Johnson (Chair)	-	4
Joanne Segars	-	

NOTES	
1	From December 2016
2	Until December 2016
3	Committee Chair until December 2016
4	Committee Chair from December 2016

DEFINED BENEFIT COUNCIL

NAME	POSITION		MEETINGS ATTENDED	NOTES
Frank Johnson	Chair	FSI, UK	5	
Jackie Peel	Vice Chair and Co-optee	Mars UK	4	
Robert Brown	Immediate Past Chair and Board representative	Towers Watson	4	
Janet Brown		Sackers	5	
Nicola Elder		BG Group	3	
Bill Galvin	Co-optee	USS	4	
Nick Greenwood		Berkshire Pension Fund	3	
Chris Hogg	Co-optee	Royal Mail Pension Trustee	5	
Arno Kitts	Co-optee	Blackrock	4	
Susan Martin		LPFA	3	
Nicola Mark		Norfolk PF	1	1
David McGibbon	Local Group Representative	Calmac Pension Fund	1	
Thomas Mercier		Schneider Electric	5	
Mike Nixon		Finmeccanica	5	
Colin Richardson		PTL	1	1
Kerrin Rosenberg		Cardano Risk Management	3	2
John Walbaum		Hymans Robertson	3	2

NOTES	
1	From October 2016
2	Until October 2016

The Council met on 23 February, 26 April, 23 June, 20 September and 30 November

DEFINED CONTRIBUTION COUNCIL

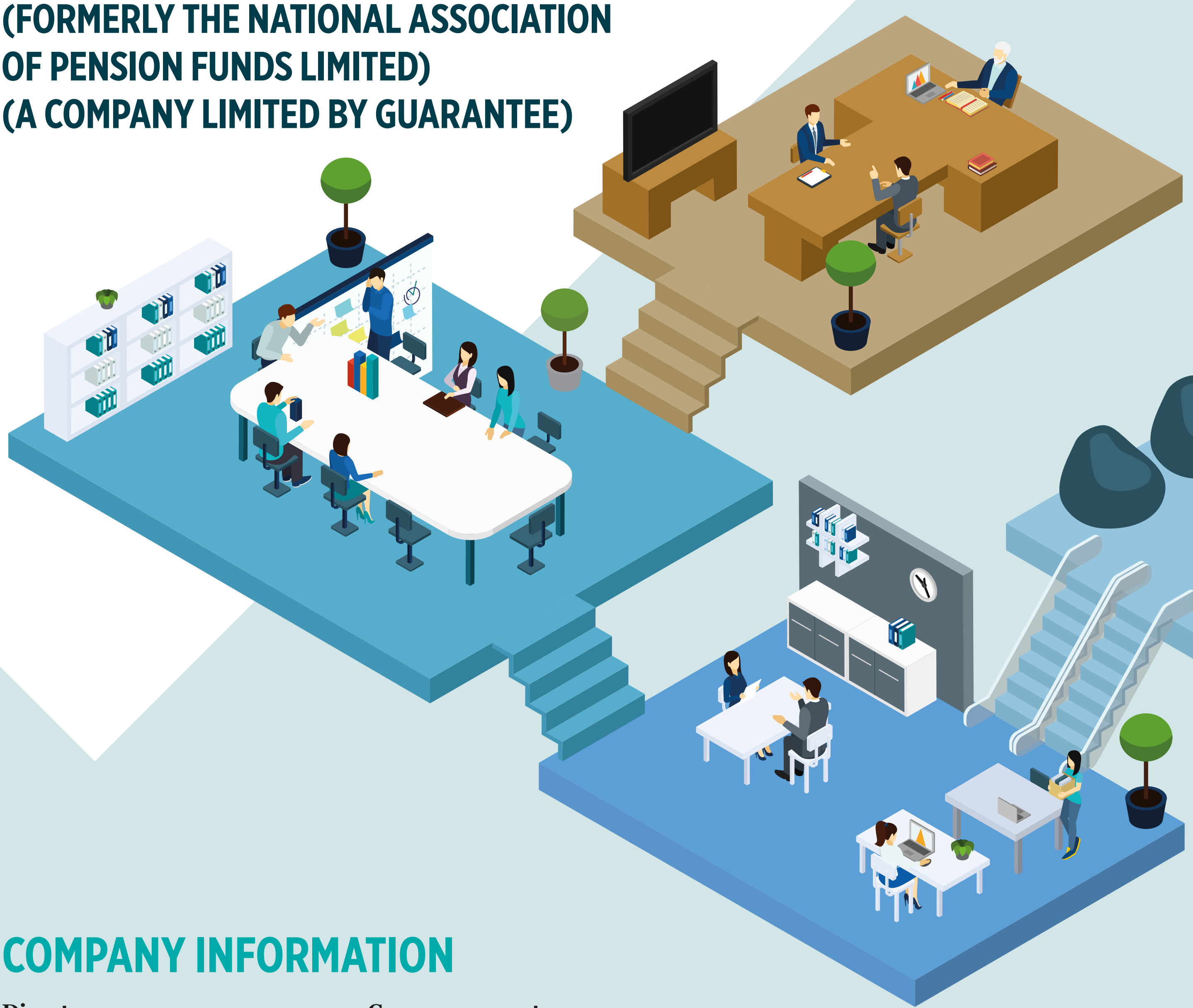
NAME	POSITION		MEETINGS ATTENDED	NOTES
Richard Butcher	Chair	PTLUK	5	
Carol Young	Vice Chair	RBS	4	
David Astley		Trinity Mirror	4	
Francois Barker		Eversheds	4	
Rob Booth	Co-optee	NOW: Pensions	4	
Stephen Bowles	Co-optee	Schroders	5	
Andy Cheseldine		LCP	5	
Dermot Courtier		Kingfisher	4	
Emma Douglas		LGIM	5	
Melanie Duffield		USS	4	1
Jamie Fiveash	Co-optee and Board Representative	B&CE	5	
Anne Hunt		Warburtons	4	2
Simon Lee		Marks and Spencer	5	
Kevin O'Boyle		BT	5	
Gavin Pereira-Betts	Co-optee	NEST	4	2
John Stevenson	Local Group Representative	Next	3	

NOTES	
1	From October 2016
2	Until October 2016

The Council met on 1 February, 12 April, 7 June, 6 September and 1 December

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

(FORMERLY THE NATIONAL ASSOCIATION OF PENSION FUNDS LIMITED)
(A COMPANY LIMITED BY GUARANTEE)



COMPANY INFORMATION

Directors
L A Williams (Chair)
J Segars (Chief Executive)
R H Brown
R Butcher
M A Cooke
J A Dembitz
J G Fiveash
C F Johnson
J O Mund
J Peel
R A M Smith
G J E Vidler
C Young

Company secretary
E S J Bogira

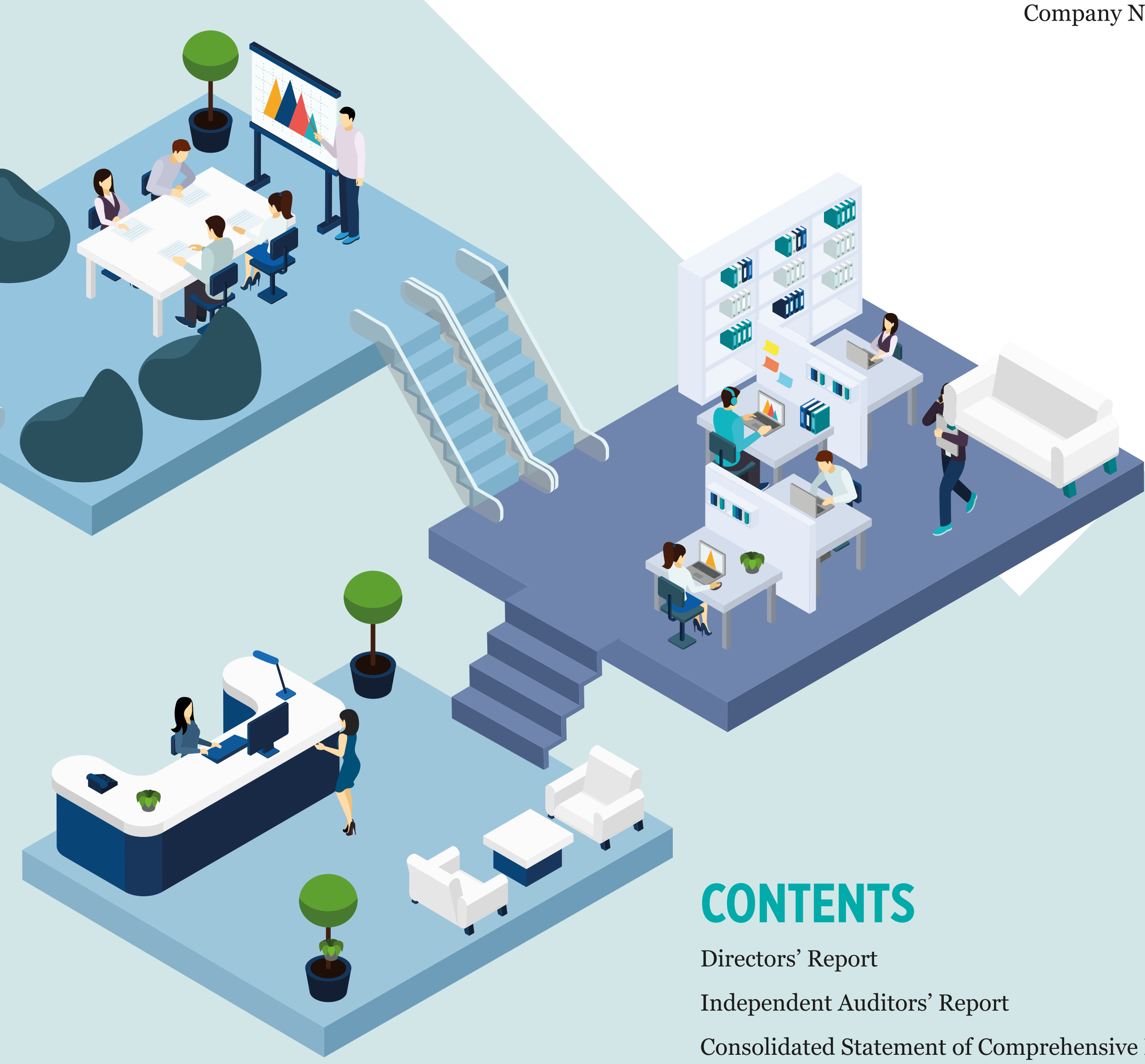
Registered number
01130269

Registered office
Cheapside House
138 Cheapside
London
EC2V 6AE

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

Company Number 01130269



CONTENTS

DIRECTORS REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

THE DIRECTORS PRESENT THEIR REPORT AND THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

On 16 March 2017 the Company changed its name from The National Association of Pension Funds Limited to Pensions and Lifetime Savings Association (PLSA).

The principal activity of the Company is to help everyone achieve a better income in retirement.

The Company's finances are sound and appropriate for a not-for-profit organisation of our size. The Company aims to generate a modest operating surplus each year and ensure there is sufficient reserves to give the Company financial strength and depth.

PLSA achieved an operating surplus of £208,000 in 2016 and a surplus of £362,000 before deducting expenditure from the Development Fund which was consistent with this policy. The large deficit in 2015 reflects the exceptional cost of £5 million incurred to fund the buy-out of the former Defined Benefit scheme.

Following the buy-out in 2015, PLSA continue to hold over £5 million in reserves. The Board considers this an adequate amount both to provide funds for future development, and to manage any contingency that might arise. During 2014 the Board allocated £1.5 million of the reserves as a Development Fund, to be invested in activities outside the normal day to day work to deliver a new, broader outlook. This includes creating the Pensions and Lifetime Savings Association, on Pension Solution and on developing other new products and areas of research. Altogether the Company invested £800,000 of this by the end of 2016, with a further £260,000 allocated to activities planned for 2017, and £450,000 remaining available for future allocation.

KEY FINANCIALS:

- Income £8.2M
- Membership Subscriptions £3.3M
- Event income £4.0M
- Operating surplus (ordinary activities) £0.4M
- Development Fund Expenditure £0.2M
- Closing Reserves £5M

PLSA STAFF PROFILE AT DECEMBER 2016:

- 48 people in post
- Including 2 part-time, 3 fixed term contracts
- 29 female
- 19 male

RESULTS AND DIVIDENDS

The results of the Group show a profit/(deficit) on ordinary activities before taxation of £405,859 (2015 - loss of £4,926,373) after an exceptional cost of £nil (2015 - £4,992,283) in 2015 the defined benefit scheme was closed to further accrual, the Company then entered into a contract with Pension Insurance Corporation plc (PIC) to secure the benefits under the scheme. The Company has undertaken to pay any further sums due under the contract. No further significant costs are expected as the assets held at the year end represent annuities which are matched by corresponding liabilities. Residual costs of £8,390 were incurred during 2016 following the verification of the remaining GMP liabilities of the scheme.

GROUP STRUCTURE

The Company is the sole member of Pensions Infrastructure Platform Ltd (PiP Ltd), a company limited by guarantee registered in England number 08365110. However the limit of that guarantee is £1 and no other benefit arises from the Company's relationship with PIP Ltd. However having reconsidered the definition of a subsidiary the Company has decided that PiP Ltd and its subsidiaries should not have been consolidated into the group accounts of Pensions and Lifetime Savings Association. The Company concluded that it was appropriate to restate its comparatives on that basis. PiP Ltd moved from its development stage in 2015 to an operating position in 2016.

INVESTMENT PORTFOLIO

Ruffer LLP administer the investment portfolio on behalf of the Company. At 31 December 2016 the portfolio had a market value of £736,619 (2015 - £2,697,604). The remainder of the investment portfolio was realised post year end.

DIRECTORS

The directors who served during the year were:

L A Williams (Chair)
J Segars (Chief Executive)
R H Brown
R Butcher
M A Cooke
J A Dembitz
J G Fiveash
C F Johnson
J O Mund
J Peel
R A M Smith
G J E Vidler
C Young

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group and Company financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

SMALL COMPANIES NOTE

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 18 May 2017 and signed on its behalf.

J O Mund
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PENSIONS AND LIFETIME SAVINGS ASSOCIATION

We have audited the financial statements of Pensions and Lifetime Savings Association for the year ended 31 December 2016 which comprise the consolidated Statement of Comprehensive Income, the consolidated and company Statement of Financial Position, the consolidated and company Statement of Changes in Equity, the consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- has 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 MATTERS 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the Group and Company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to prepare the directors' report in accordance with the Small Companies regime and to the exemption from the requirement to prepare a strategic report.

Vanessa Jayne-Bradley (Senior statutory auditor) for and on behalf of BDO LLP, Statutory auditor
London
United Kingdom

18 May 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTE	2016 £	AS RESTATED 2015 £
Revenue	3	**8,177,952**	8,008,728
GROSS PROFIT		**8,177,952**	8,008,728
Administrative expenses		**(7,970,449)**	(8,069,367)
Exceptional administrative expenses	9	**-**	(4,992,283)
OPERATING PROFIT/(LOSS)	4	**207,503**	(5,052,922)
Gain on revaluation of investments		**192,573**	67,389
Interest	7	**5,783**	47,669
PROFIT/(LOSS) BEFORE TAXATION		**405,859**	(4,937,864)
Tax credit	8	**634,463**	179,739
Profit/(loss) for the year		**1,040,322**	(4,758,125)
Actuarial losses on defined benefit pension scheme		**-**	(176,000)
Other comprehensive income/(loss) for the year		**-**	(176,000)
Total comprehensive income/(loss) for the year		**1,040,322**	(4,934,125)

The notes on pages 13 to 27 form part of these financial statements.

All amounts relate to continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	NOTE	2016 £	2016 £	AS RESTATED 2015 £	AS RESTATED 2015 £
FIXED ASSETS					
Tangible assets	10		**526,154**		495,234
			526,154		495,234
CURRENT ASSETS					
Debtors: amounts falling due within one year	11	**2,883,316**		1,891,533	
Current asset investments	12	**736,619**		2,697,604	
Cash at bank and in hand		**4,047,963**		1,576,413	
		7,667,898		6,165,550	
Creditors: amounts falling due within one year	13	**(3,160,715)**		(2,667,769)	
NET CURRENT ASSETS			**4,507,183**		3,497,781
TOTAL ASSETS LESS CURRENT LIABILITIES			**5,033,337**		3,993,015
NET ASSETS			**5,033,337**		3,993,015
CAPITAL AND RESERVES					
Profit and loss account reserve	19		**5,033,337**		3,993,015

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

18 MAY 2017

J O Mund
Director
The notes on pages 13 to 27 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	NOTE	2016 £	2016 £	2015 £	2015 £
FIXED ASSETS					
Tangible assets	10		**526,154**		495,234
			526,154		495,234
CURRENT ASSETS					
Debtors: amounts falling due within one year	11	**2,888,110**		1,977,920	
Current asset investments	12	**736,619**		2,697,604	
Cash at bank and in hand		**3,999,254**		1,455,128	
		7,623,983		6,130,652	
Creditors: amounts falling due within one year	13	**(3,136,845)**		(2,653,135)	
NET CURRENT ASSETS			**4,487,138**		3,477,517
NET ASSETS			**5,013,292**		3,972,751
RESERVES					
Profit and loss account reserve	19		**5,013,292**		3,972,751
			5,013,292		3,972,751

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit after tax of the parent company for the year was £1,040,541 (2015 - £4,688,600).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 May 2017.

J O Mund
Director

The notes on pages 13 to 27 form part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 31 DECEMBER 2016

	GROUP INCOME & EXPENDITURE RESERVE	COMPANY INCOME & EXPENDITURE RESERVE
	£	£
AT 1 JANUARY 2015 AS RESTATED	8,927,140	8,837,351
Loss for the year	(4,758,125)	(4,688,600)
Actuarial losses on pension scheme	(176,000)	(176,000)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	(176,000)	(176,000)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	(4,934,125)	(4,864,600)
AT 1 JANUARY 2016	3,993,015	3,972,751
COMPREHENSIVE INCOME FOR THE YEAR		
Profit for the year	1,040,322	1,040,541
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,040,322	1,040,541
AT 31 DECEMBER 2016	5,033,337	5,013,292

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	AS RESTATED 2015
	£	£
CASH FLOWS FROM OPERATING ACTIVITIES		
Group profit/(loss) for the financial year	**1,040,322**	(4,758,125)
ADJUSTMENTS FOR:		
Depreciation	**194,490**	139,845
Interest received	**8,091**	30,669
Taxation charge	**(634,463)**	(179,739)
(Increase) in debtors	**(389,885)**	(433,106)
Increase/(decrease) in creditors	**492,946**	(1,068,413)
Corporation tax received/(paid)	**32,565**	(16,194)
Other finance income	**-**	17,000
Gain on revaluation of investments	**(192,573)**	(162,947)
Income from fixed assets investments	**-**	67,389
Pension costs	**-**	(176,000)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**551,493**	(6,539,621)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible fixed assets	**(225,410)**	(57,499)
Sale of tangible fixed assets	**-**	24,451
Sale of short term unlisted investments	**2,153,558**	3,319,660
Interest received	**(8,091)**	(30,669)
Other finance income	**-**	(17,000)
Income from fixed assets investments	**-**	(67,389)
NET CASH FROM INVESTING ACTIVITIES	**1,920,057**	3,171,554
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**2,471,550**	(3,368,067)
Cash and cash equivalents at beginning of year	**1,576,413**	4,944,480
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**4,047,963**	1,576,413

The notes on pages 13 to 27 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Pensions and Lifetime Savings Association is a company limited by guarantee, incorporated in England and Wales under the Companies Act. The address of the registered office is given on the company information page. The nature of the Company's operations and principal activities are set out in the directors' report.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Company's functional and presentational currency is GBP.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 2).

The prior year comparatives have been restated for consistency with the current period presentation. Having reconsidered the definition of a subsidiary the Company has decided that Pensions Infrastructure Platform Limited and its subsidiaries should not have been consolidated into the group accounts of Pensions and Lifetime Savings Association. The Company concluded that it was appropriate to restate its comparatives on that basis. Whilst the Company is the sole member of PiP Ltd, a company limited by guarantee registered in England number 08365110, the limit of that guarantee is £1 and no other benefit arises from the Company's relationship with PiP Ltd. PiP Ltd moved from its development stage in 2015 to an operating position in 2016.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

1.2 BASIS OF CONSOLIDATION

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

1.3 TURNOVER

Turnover represents amounts receivable for goods and services provided in the normal course of business, and excludes Value Added Tax. Turnover comprises:

- Sale of membership subscriptions: the value of goods and services is recognised across the period of subscription.
- Sales of conferences and events: the value of goods and services is recognised in the period the event occurs.
- Publications and other income: this is generally recognised on a receivable basis where entitlement to the income and the amount can be measured with reasonable certainty. It is reported gross of related expenditure.

1.4 TANGIBLE FIXED ASSETS

Depreciation is provided using the following rates and bases to write off the tangible fixed assets over their estimated useful economic lives:

Leasehold improvements
- Straight line over the remaining length of the lease

Computer equipment and software
- 33.33% straight line or 20% straight line

Office equipment/Event structures
- 20% straight line

Website
- 33.33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

1.5 VALUATION OF INVESTMENTS

Current asset investments are valued at fair value.

1.6 DEBTORS

Short term debtors are measured at transaction price, less any impairment.

1.7 CASH AT BANK AND IN HAND

Cash is represented by cash in hand and deposits repayable on demand.

1.8 FINANCIAL INSTRUMENTS

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

1.9 CREDITORS

Short term creditors are measured at the transaction price.

1.10 OPERATING LEASES: THE GROUP AS LESSEE

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

1.11 PENSIONS

Defined contribution pension plan

Contributions to the group's defined contribution pension scheme are charged to the Statement of Comprehensive Income in the year in which they become payable.

1.12 HOLIDAY PAY ACCRUAL

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

1.13 INTEREST RECEIVABLE

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

1.14 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

1.15 TAXATION

Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.16 EXCEPTIONAL ITEMS

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of financial statements requires management to exercise judgement in applying the Company's accounting policies. Estimates and assumptions used in the preparation of the financial statements are continually reviewed and revised as necessary. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Taxation:

The Group establishes provisions based on reasonable estimates, for possible consequences of audits by the UK tax authorities. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax that can be recognised, based upon likely timing and the level of future taxable profits.

Tangible fixed assets (see note 10):

Tangible fixed assets, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

There are no key sources of estimation uncertainty.

3. REVENUE

An analysis of turnover by class of business is as follows:

	2016	2015
	£	£
Membership subscriptions	**3,240,162**	3,283,907
Events Income	**4,074,583**	4,198,416
Other income	**659,605**	526,405
Costs recharged to PIP Ltd and its subsidiaries	**203,602**	-
	8,177,952	8,008,728

All turnover arose within the United Kingdom.

4. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging:

	2016	2015
Research	**253,278**	723,371
Depreciation of tangible fixed assets	**194,490**	163,266
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	**15,000**	23,420
FEES PAYABLE TO THE GROUP'S AUDITORS AND ITS ASSOCIATES FOR OTHER SERVICES TO THE GROUP:		
- Outsourcing fees	**5,000**	1,175
- Taxation compliance services	**5,000**	4,875
Exchange differences	**(541)**	55
Operating lease rentals	**430,675**	379,057
Defined contribution pension cost	**351,778**	346,059

2015 fees relate to services provided by the previous auditor, Hays Macintyre.

5. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	2016	2015
	£	£
Wages and salaries	**2,971,560**	2,842,570
Social security costs	**341,576**	332,165
Cost of defined benefit scheme	**-**	(153,749)
Cost of defined contribution scheme	**351,778**	346,059
	3,664,914	3,367,045

All staff are employed by Pensions and Lifetime Savings Association. Pensions and Lifetime Savings Association then makes an appropriate recharge for use of staff, including directors, to its subsidiaries. The average monthly number of employees, including directors, during the year was 48 (2015 - 46).

6. DIRECTORS' REMUNERATION

Staff costs, including directors' remuneration, were as follows:

	2016	2015
	£	£
Directors' remuneration	**968,898**	851,812
	968,898	851,812

Key management personnel
Key management personnel are considered to be the directors who have the responsibility and authority for planning, directing and controlling the activities of the group.

7. INTEREST

Staff costs, including directors' remuneration, were as follows:

	2016	2015
	£	£
Other finance income	**-**	17,000
Government stock	**(2,308)**	16,602
Bank interest	**8,091**	14,067
	5,783	47,669

8. TAXATION

Staff costs, including directors' remuneration, were as follows:

	2016	2015
	£	£
DEFERRED TAX		
Origination and reversal of timing differences	**(634,463)**	(179,739)
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	**(634,463)**	(179,739)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016	2015
	£	£
Profit/(loss) on ordinary activities before tax	**405,859**	(4,937,865)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	**81,172**	(1,005,741)
EFFECTS OF:		
Adjustments to tax charge in respect of prior periods	-	(15,473)
Non-taxable income	-	116,702
Tax on profit on ordinary activities at standard CT rate of 20.00% (PY: 20.25%)	**81,375**	-
Expenses not deductible for tax purposes	**6,353**	-
Income not taxable for tax purposes	**(38,515)**	-
Adjustments to brought forward values	**95,513**	-
Chargeable gains/(losses)	**26,889**	(73,362)
Group relief surrendered/(claimed)	**999**	-
Adjust closing deferred tax to average rate of 20.00%	**111,824**	-
Adjust opening deferred tax to average rate of 20.00%	**(91,890)**	-
Deferred tax not recognised	**(827,010)**	767,425
Loan relationships	-	(65,649)
Difference in tax rates	**(81,173)**	96,359
TOTAL TAX CREDIT FOR THE YEAR	**(634,463)**	(179,739)

9. EXCEPTIONAL ITEMS

Staff costs, including directors' remuneration, were as follows:

	2016	2015
	£	£
Pension Scheme buy-in costs	-	4,992,283
	-	4,992,283

Defined Benefit Scheme

The Company fully wound up its defined benefit pension scheme on 22 December 2016. The scheme was closed to further accrual on 8 January 2015 and the trustees, with the approval of the Company, transferred the liabilities to the Pension Insurance Corporation plc in 2015.

During 2015 the Company made a contribution from its reserves to the scheme of £4,717,314 and incurred associated costs of £274,969, reporting the combined figure as an exceptional item in the 2015 accounts.

Costs of £8,390 were incurred in 2016 to complete the winding up process.

10. TANGIBLE FIXED ASSETS

GROUP AND COMPANY

	LONG-TERM LEASEHOLD PROPERTY	WEBSITE	OFFICE EQUIPMENT	COMPUTER EQUIPMENT AND SOFTWARE	TOTAL
	£	£	£	£	£
COST OR VALUATION					
At 1 January 2016	**296,858**	**29,160**	**298,532**	**506,620**	**1,131,170**
Additions	**6,957**	**-**	**159,106**	**59,347**	**225,410**
At 31 December 2016	**303,815**	**29,160**	**457,638**	**565,967**	**1,356,580**
DEPRECIATION					
At 1 January 2016	**205,622**	**13,163**	**260,574**	**156,577**	**635,936**
Charge for the year	**34,368**	**8,349**	**38,940**	**112,833**	**194,490**
At 31 December 2016	**239,990**	**21,512**	**299,514**	**269,410**	**830,426**
NET BOOK VALUE					
At 31 December 2016	**63,825**	**7,648**	**158,124**	**296,557**	**526,154**
At 31 December 2015	91,236	15,997	37,958	350,043	495,234

11. DEBTORS

	GROUP 2016	GROUP AS RESTATED 2015	COMPANY 2016	COMPANY 2015
	£	£	£	£
Trade debtors	**811,831**	982,513	**766,767**	950,523
Amounts owed by subsidiaries companies	**-**	-	**73,457**	132,822
Other debtors	**970,847**	450,003	**962,487**	450,002
Prepayments and accrued income	**451,731**	412,008	**451,731**	412,008
Tax recoverable	**14,444**	47,009	**-**	32,565
Deferred taxation	**634,463**	-	**633,668**	-
	2,883,316	1,891,533	**2,888,110**	1,977,920

The impairment write back of £18,592 (2015: £3,264) in respect of bad and doubtful trade debtors was recognised against trade debtors and the group profit and loss for the period.

Other debtors includes an amount for PiP Ltd for £757,529 (2015: £327,600) for costs recharged in the period.

12. CURRENT ASSET INVESTMENTS

The investment in a Diversified Growth Fund held at the year end is administered by Ruffer LLP.

	DIVERSIFIED GROWTH FUND
	£
AT 1 JANUARY 2016	**2,602,046**
SALES	**(2,058,000)**
CHANGE IN MARKET VALUE	**192,573**
At 31 December 2016	**736,619**

The prior year investment figure includes cash deposits of £95,558 to arrive at a total investment value of £2,697,604.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP 2016	GROUP AS RESTATED 2015	COMPANY 2016	COMPANY 2015
	£	£	£	£
Trade creditors	**253,394**	317,589	**247,142**	313,629
Other taxation and social security	**554,887**	300,883	**542,553**	292,715
Other creditors	**80,523**	9,902	**80,164**	9,901
Accruals and deferred income	**2,271,911**	2,039,395	**2,266,986**	2,036,890
	3,160,715	2,667,769	**3,136,845**	2,653,135

The impairment write back of £18,592 (2015: £3,264) in respect of bad and doubtful trade debtors was recognised against trade debtors and the group profit and loss for the period.

Other debtors includes an amount for PiP Ltd for £757,529 (2015: £327,600) for costs recharged in the period.

14. AMOUNTS HELD ON TRUST

At 31 December 2016, the Company held £400,254 (2015: £445,381) on trust on behalf of its members to finance the costs associated with taking a case to the VAT tribunal relating to the treatment of fund management charges payable by defined benefit pension funds. A cumulative amount of £749,088 has been spent on professional fees after allowing for VAT recovered. The case was referred to the Court of Justice of the European Union and its judgement was issued on 7 March 2013. The judgement was unfavourable.

A new case by another claimant has been raised and the members' case has been sat behind this. This is due to be heard in autumn 2017, but appeals are to be expected. It is estimated that any further costs to be incurred will be less than the funds still held on trust and the remaining balance will then be returned to the members who provided the finance.

15. FINANCIAL RISK MANAGEMENT

The Group considers it faces two main areas of financial risk – liquidity risk and customer credit exposure.

Liquidity risk
The objective of the Group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The Group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the Group has the ability to draw down on its diversified growth fund investments. The Group is however in a position to meet its commitments and obligations as they fall due.

Customer credit exposure
The Group may offer credit terms to its customers which allow payment of the debt after delivery of the services. The Group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by embedding strong customer relationship management through the Group.

16. FINANCIAL INSTRUMENTS

The Group considers it faces two main areas of financial risk – liquidity risk and customer credit exposure.

Liquidity risk
The objective of the Group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The Group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the Group has the ability to draw down on its diversified growth fund investments. The Group is however in a position to meet its commitments and obligations as they fall due.

Customer credit exposure
The Group may offer credit terms to its customers which allow payment of the debt after delivery of the services. The Group is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by embedding strong customer relationship management through the Group.

	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
	£	£	£	£
FINANCIAL ASSETS				
Financial assets measured at fair value through profit or loss	**736,619**	2,697,604	**736,619**	2,697,604
Financial assets measured at amortised cost	**5,830,641**	3,008,929	**5,801,965**	2,988,475
	6,567,260	5,706,533	**6,538,584**	5,686,079
FINANCIAL LIABILITIES				
Financial liabilities measured at amortised cost	**(502,186)**	(684,444)	**(490,648)**	(677,979)
	(502,186)	(684,444)	**(490,648)**	(677,979)

Financial assets measured at fair value through profit or loss comprise of current Investments.

Financial assets measured at amortised cost comprise of trade debtors, other debtors, cash and amounts owed by subsidiaries.

Financial liabilities measured at amortised cost comprise trade creditors, accruals and other creditors.

17. DEFERRED TAXATION

GROUP

	2016
	£
Credited to profit and loss	**634,463**
	634,463

COMPANY

	2016
	£
Credited to profit and loss	**633,668**
AT END OF YEAR	**633,668**

	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
	£	£	£	£
Tax losses carried forward	**634,463**	179,739	**633,668**	165,295
	634,463	179,739	**633,668**	165,295

18. RESTATEMENT OF PRIOR YEAR COMPARATIVES

Subsequent to the original issue of the Company's 2015 financial statements, it was decided that Pensions Infrastructure Platform Limited (PiP Ltd) and its subsidiaries should not have been consolidated into the group accounts of Pensions and Lifetime Savings Association. The Company therefore concluded that it was appropriate to restate its comparatives on the basis that whilst the Company is the sole member of PiP Ltd, a company limited by guarantee registered in England number 08365110, the limit of that guarantee is £1 and no other benefit arises from the Company's relationship with PIP Ltd. PiP Ltd moved from its development stage in 2015 to an operating position in 2016.

19. RESERVES

Profit and loss account

Profit and loss account reserve represents cumulative profits or losses.

20. COMMITMENTS UNDER OPERATING LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases.

At 31 December 2016 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
	£	£	£	£
Not later than 1 year	**415,000**	415,000	**415,000**	415,000
Later than 1 year and not later than 5 years	**326,815**	742,452	**326,815**	742,452
	741,815	1,157,452	**741,815**	1,157,452

The company has a lease on its office premises which expires in October 2018. There was a break clause included in the lease which was not exercised in 2014. New terms were agreed in 2015.

21. MEMBERS' FUNDS AND MEMORANDUM OF ASSOCIATION

The Company is limited by guarantee and has no issued share capital. Every member, in pursuance with Clause 6 of the Memorandum and Articles of Association, undertakes to contribute a sum not exceeding £1 in the event of the Company being wound up whilst they are a member or within one year after they cease to be a member.

22. SUBSIDIARY UNDERTAKINGS

At the year end, the Company controlled Pension Quality Mark Limited a company limited by guarantee. Pension Quality Mark Limited is an entity promoting quality in defined contribution pension schemes. This entity is incorporated in the UK. The results of Pension Quality Mark Limited are consolidated into these accounts.

The Company is also the sole member of The National Association of Pension Funds Limited (formerly PLSA Limited), a dormant company limited by guarantee. This company is incorporated in the UK.

Pensions Infrastructure Platform Limited (PiP Ltd) is no longer consolidated into these accounts as explained in note 1.1, since PiP Ltd does not meet the definition of a subsidiary.

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

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