

Statement of Intent 2010/13

RETIREMENT COMMISSION



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YOUR INDEPENDENT MONEY GUIDE

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BUILDING FINANCIAL CAPABILITY



CONTENTS

PART 1: THREE YEAR OUTLOOK

Foreword	2
Introduction	5
Who we are	6
What we do and why	7
New Zealanders are financially sorted.....	8
Retirement villages.....	10
Environment	11
Our goals and outcomes	15
Who we work with	21
Our people and skills.....	22
Risk management	23
Consultation and reporting to responsible Minister.....	23

PART 2: FORECAST FINANCIAL STATEMENTS

Introduction	25
Statement of responsibility	26
Forecast statement of service.....	27
Forecast statement of comprehensive income.....	32
Forecast statement of changes in equity.....	33
Forecast statement of financial position	33
Forecast cash flows statement	34
Statement of underlying assumption.....	35
Nature of forecasted financial statements	35
Statement of accounting policies.....	35

APPENDIX

Our structure	40
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*Presented to the House of Representatives
Pursuant to section 149 of the Crown Entities Act 2004*

PART 1:



THREE YEAR OUTLOOK

❖ FOREWORD

This, our fifth Statement of Intent, sets out the intended direction of the Retirement Commission over the next three years. It describes how we will work towards our goals and carry out our core business.

The 2010/11 year covered by this Statement of Intent will be another busy and significant one for the Commission. During the past two years the Commission's operating environment has changed significantly.

The worldwide economic downturn and finance company collapses in New Zealand have highlighted the importance of financial literacy. It's high on the agenda both nationally and internationally. As we look for ways to help New Zealanders understand more about the increasingly complex and challenging financial environment we can draw on international experience.

Representing New Zealand, I am an active member of the Organisation for Economic Co-operation and Development (OECD) International Network on Financial Education (INFE). Through the successful programmes of the Retirement Commission and others, New Zealand is recognised for its financial education activities and we are often sought out by other countries for expertise. Equally, we are able to learn from other countries and share best practice.

The Retirement Commission plays a key role in ensuring that there is co-ordination across the various financial education activities in New Zealand.

We are pleased that New Zealand's National Strategy for Financial Literacy strategy has been positively acknowledged by a wide range of public and private sector players as a cornerstone for better co-ordination of financial education activities. At the Financial Literacy 09 summit in June the Minister of Finance asked that the Strategy advisory group report to him twice a year. We welcome the Government's interest in this area as the better equipped New Zealanders are to make informed decisions, the better off we will all be in the long-term.

We are currently reviewing the strategy to ensure it is relevant for today. It will be re-launched later this year with a five-year action plan. The Commission is also developing a strategy to reach Māori which we will launch later in 2010 with a five-year action plan.

We will continue to develop the financialliteracy.org.nz website, home of the National Strategy, as an important financial education resource for all of New Zealand. The website is co-funded by three finance industry bodies – the New Zealand Bankers' Association, Workplace Savings New Zealand and the Investment Savings and Insurance Association. The Commission co-ordinates and publishes a database of financial education providers on the website which details financial education activities in New Zealand that meet quality criteria.

The Commission is best known to New Zealanders through its Sorted website, booklets and seminars. The website offers free independent and impartial information, including more than 40 interactive calculators, to help Kiwis of all ages understand money matters and manage their personal finances throughout life.

Through the sorted.org.nz website and other Sorted channels including booklets, seminars, social media (blog, twitter and Facebook), short movies and our new mobile phone site m.sorted.org.nz, we will continue to help people make informed financial decisions in the face of changing interest rates, unemployment rates and house values. Usage of the Sorted website, booklets and seminars has increased considerably – from January to December 2009 user sessions on the website increased by over 30% percent compared with the previous year (1.6 million compared to 1.2 million). Over half a million Sorted booklets were distributed in 2009.

Our challenge is to keep the highly successful Sorted website and associated resources relevant, current and accessible. We will continue to identify and test different channels and resources to ensure we reach a wide range of New Zealanders. The focus of our communications in the 2010/11 year will be on youth, older New Zealanders and the Commission's workplace programme.

Despite changes in the Commission's operating environment, our strategic direction remains the same. The Retirement Commission is prepared for the challenges that lie ahead as we emerge from the recession. We are well placed to pursue our three key roles of improving financial literacy, actively supporting the development of a trustworthy financial services sector, and contributing to stable effective government policy.

Building a trustworthy financial services sector in New Zealand is going to take time given the recent loss of savings many people have suffered and the disruption that the economic crisis has brought to the sector. We will continue to work closely with the sector's key representative bodies and the Government to help New Zealanders understand how to get good financial advice and how to better recognise sound financial products.

Since 2004 the Commission has been helping to integrate personal financial education programmes into the school curriculum for Years 1-10. The project was handed over to the Ministry of Education last year. The Commission will continue to promote the programmes, work with the Ministry of Education to provide support, and monitor the effectiveness of this roll out with the Education Review Office.

We have been working with the Tertiary Education Commission, NZQA, the Industry Training Federation, business and union representatives and tertiary education providers to include financial education as a core part of many tertiary qualifications. Free teaching resources for seven unit standards were made available in 2009. We will continue to work with these groups to embed the resources in industry training and with tertiary institutions.

As well as our financial literacy activities, under the New Zealand Superannuation and Retirement Income Act 2001, every three years we are required to review the retirement income policies being implemented by the Government. The review helps widen our understanding of current retirement income policy and practices and where they are heading. Work is well underway for the 2010 review which will be completed by 31 December 2010.

In our role under the Retirement Villages Act 2003 we will undertake a monitoring project in 2010 which will focus on residents of retirement villages.

I am confident that the 2010/13 Statement of Intent will provide a clear and valuable picture of our work and the results we seek.

In the 2010/11 financial year our activities will continue to centre on helping New Zealanders to be financially sorted throughout their lives. I look forward to another exciting and challenging year, as we work towards achieving our vision and goals.



DIANA CROSSAN
RETIREMENT COMMISSIONER



❖ INTRODUCTION

The Retirement Commission takes a lifetime approach to educating and informing New Zealanders about managing personal finances.

Our work, through education, information and promotion, contributes to three key elements that are vital to New Zealand's retirement income framework and to creating personal financial wellbeing for New Zealanders so they are adequately provided for in retirement:

- ~ *New Zealanders are well educated in financial matters and can make informed financial decisions throughout their lives.*
- ~ *The financial services sector is trustworthy.*
- ~ *The government's retirement income policies are effective and stable.*

These three elements need to be in place so that all New Zealanders have the confidence and ability to make informed and lasting decisions about their finances throughout their lives.

New Zealanders' standards of living in retirement will depend largely on what assets and income they have during their retirement years. Their income is likely to come from three major sources: government, private savings and investments, and workplace superannuation.

A fundamental assumption for any retirement planning or decision-making is that the Government will continue to supply a basic income to older people. For some years there has been broad political consensus supporting this approach. If individuals want to receive more than this basic retirement income, then they must take action themselves.

New Zealanders are faced with issues of funding education, home ownership, investing in businesses, debt management, and family financial obligations. They need to fit financial preparation for retirement into this framework.

Simply saving some money for retirement may not be possible, nor indeed the best financial choice for some individuals and families at certain stages of life.

The traditional message that 'you must save for your retirement' is now of less practical use to people living in an advanced modern economy and a changing society. Financial decisions involve increasingly complex and subtle considerations about the sources and uses of personal funds throughout life.

It is important that when people make their financial decisions – such as opting in or out of KiwiSaver – they are aware of all their options, and the issues and implications involved.

The Commission is funded to provide information that will help people make informed financial decisions throughout their lives. All our information is impartial and independent.

WHO WE ARE

The Retirement Commissioner is an autonomous Crown entity listed in Schedule 1, Part 2 of the Crown Entities Act 2004. Under legal mandate the Retirement Commissioner is required to fulfil the relevant functions and requirements of the New Zealand Superannuation and Retirement Income Act 2001 and certain functions under the Retirement Villages Act 2003. The Retirement Commission is the office of the Commissioner.

Our activities include:

- ~ *Raising awareness of the need to plan for retirement.*
- ~ *Providing education on financial management and planning tools.*
- ~ *Collecting research on retirement planning behaviour and attitudes.*
- ~ *Providing information that aids development of national policies impacting on retirement.*

And under the Retirement Villages Act:

- ~ *Monitoring the effects of the legislation.*
- ~ *Administering and approving members of the disputes panel.*
- ~ *Providing information as required by the Act and making recommendations to the Minister for Building and Construction.*

The Retirement Commissioner's education and general information responsibility under the Retirement Villages Act 2003 is delegated to the Department of Building and Housing. The advice responsibility is also delegated to the department apart from specific advice relating to our monitoring and Code of Practice functions.

The Commission operates three websites:

- ~ *www.retirement.org.nz – home of the Retirement Commission and the Retirement Income Research Unit.*
- ~ *www.sorted.org.nz – offering free, impartial information and calculators to help Kiwis understand money matters and manage their personal finances throughout life.
www.m.sorted.org.nz – a mobile phone site offering free impartial calculators.*
- ~ *www.financialliteracy.org.nz – home of the New Zealand Network for Financial Literacy and the National Strategy for Financial Literacy.*

The Commission is responsible to two Ministers – the Minister for Social Development and Employment (the responsible Minister for the New Zealand Superannuation and Retirement Income Act 2001) and the Minister for Building and Construction (the responsible Minister for the Retirement Villages Act 2003).

Our business activities are also of interest to other Ministers. For example the advisory committee for the National Strategy for Financial Literacy reports twice a year to the Minister of Finance through the Retirement Commission. We keep the Minister of Education informed about our work in schools and tertiary institutions and the Minister of Commerce informed about our work in financial education.

❖ WHAT WE DO AND WHY

People need to make important choices about their finances throughout their lives to ensure adequate provision for retirement. The retirement policy framework relies upon a mix of private and state funding. Therefore there is a need for information, so that people will have the knowledge to make their financial choices within this environment.

The key underlying assumption used in financial planning for retirement is that current and future governments will continue to support state funding of retirement incomes at a basic level. Successive governments have confirmed this policy stance over many years.

Based on that key assumption, the rationale for the results we seek and the way we do our work, is:

- ~ *To have reasonable expectations of receiving total retirement incomes in excess of the basic level of New Zealand Superannuation, individuals will need additional retirement income from private and non-government sources.*
- ~ *The quality of life for retired New Zealanders will therefore depend significantly on many decisions they make about their personal finances throughout the course of their lives.*
- ~ *Individuals have freedom of financial choice, but will make better financial decisions when provided with information and education about financial options, and the implications of various courses of action.*

The Retirement Commission provides well-informed and non-directive personal financial education to New Zealanders throughout their lives, and works with other stakeholders to achieve this. We do this in a way that fulfils the Government's expectations of ensuring value for money for New Zealanders and running a focused, efficient and productive organisation.

The main tools that we use to do our job are:

- ~ *Communications (online, print and mass media).*
- ~ *Information and education programmes (online, schools, workplaces).*
- ~ *Relationships with stakeholders.*
- ~ *Partnerships with key organisations.*
- ~ *Liaison with the financial services industry.*
- ~ *Advice to the Government and its agencies.*

The Commission can only achieve its intended results to improve New Zealanders' ability to make sound financial decisions through the commitment of other stakeholders.

Our overall effectiveness will be determined by the quality of our working relationships with the public, business, government and community agencies.

The Retirement Commission also has a role in protecting the interests of residents and intending residents of retirement villages, by monitoring the Retirement Villages Act 2003 and administering the disputes process.

The following diagrams illustrate the linkages from the Commission's high level goals through to its individual outputs and show how we measure our performance.

➤ NEW ZEALANDERS ARE FINANCIALLY SORTED

GOALS	Create a financially educated population
OUTCOMES	New Zealanders are better educated in financial matters and can make more informed financial decisions throughout their lives.
IMPACTS	<ul style="list-style-type: none"> ~ Improved public understanding of lifetime financial management. ~ Improved public knowledge of how to go about financial planning. ~ New Zealanders can make informed decisions on participation in KiwiSaver or other savings options in the context of their wider personal financial situation.
MAIN MEASURES	Changes in attitudes, levels of financial knowledge and action taken as a result of accessing the Commission's education programmes and information.
INDICATORS	<ul style="list-style-type: none"> ~ Reduce the size of the lowest financial knowledge group from 33% to 25% by 2012.¹ ~ Increase the percentage of New Zealanders who use Sorted resources from 19% to 30% by December 2010. ~ Maintain 2010 levels of New Zealanders using Sorted resources to help them make a decision about KiwiSaver (28% of 18-65 year olds). ~ Increase the proportion of users of Sorted resources that rate them as useful or better (65%, 2010). ~ Key stakeholder/peak body² annual survey on the Retirement Commission's work in creating a financially educated population.³
OUTPUTS	~ Education and Information

¹ The ANZ-Retirement Commission Financial Knowledge Survey – to measure financial knowledge, people were scored on their answers to 42 financial knowledge questions. Their score determined whether they fell into the low, medium or high knowledge group.

² Peak body – an association of industries or groups.

³ Measure – 70% or more of survey respondents assess the quality of the Commission's work towards each of its three strategic goals as 'good' or better.

Actively support the development of a trustworthy financial services sector

Contribute to stable effective government policy

New Zealanders have more trust in the financial services sector.

Government's retirement income policies remain effective and stable.

- ~ The sector is encouraged to be open, fair, accessible, expert and relevant and provide products and services that are transparent and able to be clearly understood.
- ~ The impact of legislation and regulation on New Zealanders' ability to prepare financially for retirement.
- ~ New Zealanders are better able to interact with the sector.

- ~ The Government's retirement income policies are reviewed every three years.
- ~ The Minister for Social Development and Employment receives sound advice on retirement income related issues.
- ~ Advice to the Minister and the statutory three-yearly review of retirement income policies are informed by an ongoing research programme.

- ~ Development and use of improved forms of disclosure and customer information.
- ~ Industry commitments to improved training processes and standards and to standardised codes of practice and conduct.
- ~ Public perception of the industry and its practices (through public surveys and media commentary).

- ~ The Minister agrees that the 2010 review of retirement income policies meets its terms of reference following an independent and rigorous process.
- ~ The Minister's level of satisfaction with the Commissioner's advice.
- ~ Extent to which the Retirement Commissioner's advice to the Government and its agencies is acted on.

~ Key stakeholder/peak body annual survey on the Retirement Commission's work in actively supporting the development of a trustworthy financial services sector.³

~ Key stakeholder/peak body annual survey on the Retirement Commission's work in contributing to stable effective government policy.³

~ The Minister is satisfied or better that the 2010 review of retirement income policies meets its terms of reference.

~ The Ministers are satisfied or better with the Retirement Commissioner's advice.

~ Research and Monitoring

~ Research and Monitoring

~ Education and Information

~ Advice

~ Education and Information

RETIREMENT VILLAGES

GOAL	The interests of residents and intending residents of retirement villages are protected.
	↓
OUTCOME	All retirement villages move to meet societal expectations and current quality standards.
	↓
IMPACTS*	<ul style="list-style-type: none"> ~ The effects of the Retirement Villages Act are monitored. ~ The disputes process under the Act is administered efficiently and effectively. ~ The Minister for Building and Construction receives comprehensive recommendations on any draft codes of practice.
	↓
MAIN MEASURES	<ul style="list-style-type: none"> ~ Five-year monitoring programme focused on: statutory supervisors, owner/operators, residents, intending residents and the disputes panel process. Each year a monitoring report on one of these groups or areas will be produced. ~ Some analysis of the nature, numbers and trends in complaints, queries and disputes within retirement villages.
	↓
INDICATOR	~ All retirement villages meet the legal requirements for performance as set out in the Retirement Villages Act 2003, associated regulations and Code of Practice.
	↓
OUTPUTS	<ul style="list-style-type: none"> ~ Research and Monitoring ~ Advice (limited to the Commission's monitoring and Code of Practice functions)

*The Retirement Commissioner's education and general information responsibility is delegated to the Department of Building and Housing. The advice responsibility is also delegated to the department apart from specific advice relating to the Commission's monitoring and Code of Practice functions.

ENVIRONMENT

Immediate environment

The New Zealand economy is emerging from a deep recession following the global financial crisis. Over the course of this recession the economic and fiscal position has changed markedly. Asset prices and retirement nest eggs have been adversely affected. While consumer attitudes and perceptions towards investing, saving and borrowing appear to have improved recently, job losses have reduced the ability to save for some people. The Government's deteriorating fiscal position during the recession means choices around retirement and savings need to be made to ensure that New Zealanders are able to maintain and grow the value of any provision for their retirement.

The Retirement Commission is well placed to pursue its three key roles of improving financial literacy, actively supporting the development of a trustworthy financial services sector and contributing to a stable and effective government policy.



Recent changes in the Retirement Commission's operating environment

Element	Link	Recent trend	Impact on RC operating environment
Savings	Rising precautionary savings improves retirement income.	Savings improved over the past year. <i>NZIER estimates the household savings rate has improved from: -14% in December 2009 to -4% in December 2010.</i>	+ Increased demand for financial literacy, greater need to support consumer confidence in the financial services sector.
Borrowing	Reduced borrowing lowers exposure to the economic cycle and implies greater savings.	Reduced borrowing growth over the past two years. <i>RBNZ data shows household debt growth has slowed from 12% in December 2007 to 4% in December 2008 and 3% in December 2009.</i>	+ Increased demand for financial literacy, greater need to support consumer confidence in the financial services sector.
Employment	Higher employment means greater ability to save and prepare for retirement.	Falling employment over the past year. <i>SNZ data shows 53,000 job losses in 2009.</i>	- Reduced demand for savings and retirement advice.
Retirement	Later retirement increases the amount of time available to save for retirement and reduces the amount of time in retirement.	Rising workforce participation of those aged over 65 over the past decade. <i>SNZ data shows participation rate for this age group has risen from 7% in December 1999 to 16% in December 2009.</i>	+ Retirement Commission can provide information to help people make informed saving and retirement choices.
Asset prices	Declines in asset prices highlights the need for diversified savings and long term retirement planning.	Falling asset prices and reduced investment risk appetites, but recovering more recently. <i>NZ equity market rose by 8% in 2009 following a 34% decline in 2008. Median house price rose 10% in 2009, following a 5% fall in 2008.</i>	+ Increased demand for financial literacy, greater need for supporting consumer confidence in the financial services sector.
Fiscal position	A rising public debt profile puts focus on deriving value for money, including value for money from retirement and savings policy.	Rising public debt over the forecast horizon. <i>Treasury⁴ projects net debt to rise from 6% of GDP in 2008 to 30% in 2016.</i>	+ Policy changes would need an informed debate.

Source: Statistics New Zealand, RBNZ, Treasury, DataStream, REINZ, NZIER

⁴ <http://www.treasury.govt.nz/budget/forecasts/hyefu2009/08.htm>

Economic backdrop

A key impact of the recession has been improving household debt and savings. Examples are reduced use of credit cards, slowing debt growth and indications of some households repaying debt. It is important to maintain some of these gains of better financial behaviour. While the great depression turned a generation away from debt, it is unclear (but unlikely) that the latest recession will have a similar lasting effect.

The recession has had its costs. There was a loss of 53,000 jobs in 2009, and jobs are still hard to find despite positive economic growth. However, recent employment figures appear to be on the increase. While the Reserve Bank of New Zealand (RBNZ) has lowered interest rates considerably, this has benefitted borrowers more than savers.

The recession has led to significant asset price declines. The drop in asset values and house prices has affected the net worth and retirement incomes of many who are approaching retirement. While asset prices have recovered through much of 2009, restoring some confidence in financial markets and retirement funds, concerns remain over the durability of any global economic recovery. This has made the outlook for asset prices uncertain.

The need to make a personal decision around KiwiSaver provides a compelling incentive for people to appreciate the need for, and to absorb, personal financial information and education. The programmes remind New Zealanders that they can and should be making financial preparation for the future.

Fiscal and policy backdrop

The local recession and the global financial crisis have heavily impacted on public finances. Public sector debt is projected to rise sharply. As a result the government is increasingly concerned to ensure that it is getting value for money. This may have implications for the future policy path for retirement and savings.

The recent Long Term Fiscal Strategy report by Treasury highlighted the costs of an ageing population from retirement income support and healthcare costs. Given the future fiscal challenge, greater debate and understanding of the various options is needed now.

The Retirement Commission is an important and active voice in any conversation.

Trustworthiness of the financial sector

One of the Retirement Commission's aims is to assist with ensuring that we have a more trustworthy financial services sector. The Retirement Commission can influence this by active support for changes identified by research and international best practice, and by co-ordinating a wide range of stakeholders from both public and private sectors.

Asset price declines due to the recession and global financial crisis, preceding failure of many local finance companies, and more recently, poor disclosure and reporting by some in the finance industry are likely to have tarnished the sector's image.

Rising participation in KiwiSaver (1.4 million participants in March 2010, up from 1 million the previous year) suggests the level of public engagement with the financial sector is increasing. Recent KiwiSaver performance reports have highlighted the need for greater disclosure and conformity. Greater co-ordination, implementation and enforcement are required to ensure full confidence in the sector.

Long-term operating environment

The Retirement Commission is committed to helping all New Zealanders plan financially for their retirement and throughout life. The Commission is actively targeting older New Zealanders to prepare them for retirement and to help them manage their money in retirement. In addition, work is underway to target young people to raise a more financially literate generation.

These trends present a wide range of often complex implications for personal, institutional and government decision-making about retirement issues. Accordingly, the Commission makes a considerable investment in research and analysis to inform our planning for the future and the information we provide to the public and stakeholders.

The latest population projections from Statistics New Zealand reiterate that the population is ageing, the older will get older and there will be fewer working age persons relative to those in retirement age. In addition, baby boomers will begin to reach retirement age from 2011. The medium term environment should be seen in the context of the latest Long Term Fiscal Strategy from Treasury, which shows an unsustainable deterioration in public finances unless policy changes are made to address growing healthcare and other ageing related costs.

The concept of retirement and expectations for retirement are changing. Many will choose to retire earlier than 65 (the age of eligibility for New Zealand Superannuation) and many will work well into their later years. Rising demand for high quality aged care shows changing expectations of retirement.

Trends

- ~ *The median age of our population has risen from 26 years in 1971 to 37 years in 2009, and is expected to rise to 43 years by 2061. The retirement age group is likely to more than double by 2061. This age group has doubled since 1976, to 550,000 in 2009, and is expected to rise by 2.6 times to 1.44 million people in 2061. The largest growth will occur between 2011 and 2037 as baby boomers move into this age group.*
- ~ *The older population will get even older. The 85+ age group is projected to increase from 2% of the population in 2009 to 6% in 2061. This will have considerable implications for retirement planning and fiscal pressures.*
- ~ *There will be more retirees per working age person. In 2009, there were 5.2 working age persons for every retiree. This is projected to fall to 2.3 persons by 2061. This indicates a greater burden on tax payers supporting growing expenditure on healthcare and government funded retirement income.*
- ~ *While baby boomers reaching retirement age from 2011 may create a bulge of retirees, many may choose not to retire. There has been a long term trend of rising participation for those in retirement age. Over the past decade, over 65 participation in the labour force has increased from 7% to 16%. This suggests that an ageing population will have a complex and dynamic impact on the Retirement Commission's operating environment.*

Other trends and issues that may hold long-term implications include:

- ~ *High level of personal indebtedness, such as mortgages, student loans and credit card debt.*
- ~ *High levels of consumption expenditure.*
- ~ *People buying homes later in life as a result of housing affordability pressures.*
- ~ *International employment opportunities and patterns.*
- ~ *Changes in career patterns and workforce participation.*
- ~ *Womens' reduced ability to 'save for retirement' as a result of lower earnings and labour force participation rates.*

OUR GOALS AND OUTCOMES

The Retirement Commission's vision is that New Zealanders are financially sorted.

Goals

There are three high level elements for New Zealand society that we seek to achieve both through our own work, and through working with many other organisations, groups and individuals. These are:

- ~ *Creating a financially educated population.*
- ~ *Actively supporting the development of a trustworthy financial services sector.*
- ~ *Contributing to stable effective government policy.*

These goals are vital to New Zealand's retirement income framework and to creating personal financial wellbeing for New Zealanders so they are adequately provided for in retirement. It is important to have stable and effective policies for retirement income so New Zealanders can plan financially for their retirement with some certainty that the policy is not going to be significantly and unfavourably changed without due notice. For those who are close to retirement or retired, there is little opportunity to respond to such changes.

The Retirement Commissioner is also responsible for monitoring the effects of the Retirement Villages Act 2003 and administering the disputes process. The goal we seek to achieve in this area is that the interests of residents and intending residents of retirement villages are protected.

Outcomes

We identify three contributing outcomes that the Commission's work is directly aimed at achieving, and which contribute to the three higher level goals above. The three contributing outcomes of the Commission are:

- 1. *New Zealanders are better educated in financial matters and can make more informed financial decisions throughout their lives.***
- 2. *New Zealanders have more trust in the financial services sector.***
- 3. *Government's retirement income policies remain effective and stable.***

The Commission's work in the retirement villages sector seeks to contribute to the outcome that all retirement villages meet societal expectations and current quality standards.

Outcome measures

We have found it challenging to identify useful, quantifiable and attributable outcome measures to judge future performance. As many other factors influence outcomes, to suggest that the Commission's activities alone have resulted in a particular outcome would be misleading and may take credit (or blame) for the work of other individuals or agencies. Nevertheless, to help show the outcomes of the Commission's activities, we have described the type of measures we will use and, where possible, included some current numeric indicators and the expected change.

Outcome 1: New Zealanders are better educated in financial matters and can make more informed financial decisions throughout their lives

Description:

This describes a population that has the necessary information and skills to help people make sound decisions about planning and managing their personal finances throughout their lives. Personal financial education includes providing information and decision-making tools, and increasing an individual's skills and understanding of personal financial issues.

Key impacts sought:

Increased information and skill levels will shape both financial attitudes and behaviours. We aim to help people become more aware of financial issues and their significance, and therefore able to make more confident and effective financial choices. People will have the ability to assess their personal financial situation and make quality decisions about their involvement in KiwiSaver or other savings options as a result of the Commission's workplace financial education programme.

Activities:

The main activities are education and information based.

The Commission's Sorted programme with its website, printed booklets and seminar modules are key resources. The Sorted website's practical content and calculators give users the opportunity to develop their financial plans and see the implications of various courses of action. (The Retirement Commission expects an average of 130,000 to 150,000 visitors to the sorted.org.nz and m.sorted.org.nz websites each month and an average of 25,000 to 30,000 booklets to be distributed each month).

Up-to-date information is being provided through sorted.org.nz, m.sorted.org.nz and the news media to help people make informed financial decisions in the face of current trends, such as changing mortgage interest rates, volatile investment returns and increasing demand for relevant information on KiwiSaver.

The Retirement Commission's future marketing activity will be dominated by:

- ~ *Offering core Sorted tools to help more New Zealanders to make informed financial decisions.*
- ~ *Continuing to develop the Sorted programme so that it offers motivational guidance around money matters.*
- ~ *Enhancing the sorted.org.nz, m.sorted.org.nz, retirement.org.nz and financialliteracy.org.nz websites to feature topical content and allow users to engage with the sites and one another.*
- ~ *Targeting the distribution of our printed material to specific segments of the population, e.g. through supermarkets and community groups.*
- ~ *Developing Sorted's community-based seminars and conversations.*
- ~ *Expanding the range of KiwiSaver decision-making tools and information available for both potential and existing members.*

The general Sorted and workplace financial education programmes will complement each other so key parts of New Zealand society have ready access to a range of financial education resources. The products required and the communication media used are different for each audience, but will be segmented as follows:

- ~ *Children, 5-15 years old.*
- ~ *Young adults, 16-24 years old in and out of the workforce or education.*
- ~ *Adults, 25-49 years old in the workplace and in the community.*
- ~ *Adults, 50-65 years old in the workplace and in the community.*
- ~ *Adults, 65+ years and older in the community and in the workforce.*

The Retirement Commission led the development of a National Strategy for Financial Literacy. With input from many individuals and organisations across the public, private and voluntary sectors, the strategy sets a direction to link providers of financial education and information, identify any gaps in coverage and avoid duplication. A revised strategy will be launched later this year with a five-year action plan.

How we will measure results:

The major measures of impact will be changes in attitudes, levels of knowledge and action taken as a result of accessing our education programmes and information. These will be measured through the financial knowledge survey that the Commission conducts in association with ANZ, together with other benchmarked surveys and analyses. The findings of the financial knowledge survey will be analysed and disseminated to stakeholders in the financial sector, education, government and business.

Other indicators of interest levels in personal financial management will be statistical measures of the use of all Sorted resources, brand awareness and the action taken after using Sorted resources.

1. Key financial knowledge measure:

- ~ To reduce the size of the lowest knowledge group from 33%⁵ to 25% by 2012.

2. Sorted resource use – overall uptake goal:

- ~ To increase the percentage of New Zealanders who use Sorted resources from 19% to 30% by December 2010 with over half the interaction being through the workplace.⁶
- ~ Increase the proportion of users of Sorted resources that rate them as useful or better – 65% (2010').
- ~ Maintain the current 89%⁸ of visitors who take some action as a result of visiting the website.

3. The workplace financial education programme will also be evaluated to assess the impact of KiwiSaver decision-making information and tools:

- ~ Maintain 2007 levels indicating 28% of 18-65 year olds surveyed had used Sorted resources to help them make a decision about KiwiSaver.⁹

4. Key stakeholder/peak body annual survey on the Retirement Commission's work in creating a financially educated population.

- ~ 70% or more of survey respondents assess the quality of the Commission's work towards creating a financially educated population as good or better.

The National Strategy for Financial Literacy advisory committee will report twice a year to the Minister of Finance through the Retirement Commission. A revised strategy will be relaunched later this year with a five-year action plan.

⁵ 2009 ANZ-Retirement Commission Financial Knowledge Survey

⁶ Sorted Brand Awareness Survey 2009, Nielsen

⁷ Sorted User Survey 2009, Nielsen (62%)

⁸ Sorted User Survey 2009, Nielsen

⁹ KiwiSaver Campaign evaluation – Colmar Brunton, 2008

Outcome 2: New Zealanders have more trust in the financial services sector

Description:

A trustworthy financial services sector is fundamental to ensuring New Zealanders can manage their finances well throughout life and prepare financially for retirement. This outcome describes a financial sector that is more trusted by the public and whose products, services and charges can be better understood.

Key impacts sought:

Building a trustworthy financial services sector is going to take time given the recent loss of savings many New Zealanders have suffered and the disruption that the economic crisis has brought to the sector. The key impacts the Retirement Commission seeks are to help the sector to improve its performance and, as a result, rebuild New Zealanders' levels of trust in the sector.

Our focus is on encouraging the sector to adopt the five principles of being open, fair, accessible, expert and relevant, and on building the capability of good financial advice.

The sector will be trustworthy when it meets the expectations of clients for the provision of products and services and can assure the quality of these. New Zealanders dealing with a trustworthy financial sector will find the experience transparent and straightforward.

Transparency extends to disclosing to clients the actual costs of products and services and any other relevant factors that could affect a client's decision – such as an adviser's financial interests that could in any way be seen to be in conflict with the services being offered.

Activities:

The Commission will work with the financial services sector to look at options for researching consumer perspectives of trust in the various parts of the sector. We will also monitor public levels of trust and confidence and promote research and debate about ways of improving trust in, and the efficiency of, the wider sector.

We will work with officials to develop and promote the adoption and use of standard forms of disclosure of key information for financial advisers, such as the actual costs of their services and any related interests. To be of value this information will need to be communicated in plain language and be easily understood.

We will work with the sector's key representative bodies and the Government to help New Zealanders understand how to get good financial advice and how to better recognise sound financial products.

How we will measure results:

Evidence of impacts will be provided by indicators such as the development and use of improved forms of disclosure and sector commitments to improved training processes and standards, and to standardised codes of practice and conduct. Public surveys will provide a measure of the public's perception of the industry and its practices.

A key stakeholder/peak body survey will be introduced this year on the Retirement Commission's work in actively supporting the development of a trustworthy financial services sector.

Monitoring media commentary on the industry will also provide an indicator of trust and public perception.

Outcome 3: Government's retirement income policies remain effective and stable

Description:

It is important to have stable and effective policies and practices for retirement income so New Zealanders can plan financially for their retirement with some certainty that the policy is not going to be significantly or unfavourably changed without due notice. Any change made should provide people with ample time to adjust their financial plans for retirement. This outcome describes government policy direction that is effective, stable, efficient and fair, and provides a state-funded basic income for New Zealanders.

Key impacts sought:

The Commission will influence this outcome through the periodic review process. This includes contributing research to help inform the statutory three-yearly reviews required under the New Zealand Superannuation and Retirement Income Act 2001, and reporting to the Minister for Social Development and Employment on retirement income policies being implemented in New Zealand. The Commission will further influence this outcome through the provision of advice to the Minister.

Activities:

The Commission will complete the 2010 periodic review by 31 December 2010, ensuring that it fulfils the terms of reference set by the Minister. We will provide advice when requested by the Minister, and deliver a report to the Minister on any retirement income issue the Commissioner believes the Minister should be advised of.

How we will measure results:

The effectiveness and stability of government's retirement income policies and practices will be monitored and reported on as part of the periodic reviews, which are carried out in accordance with the New Zealand Superannuation and Retirement Income Act 2001. The extent to which the Retirement Commissioner's advice to the Government and its agencies is acted on will be a measure of our impact on retirement policies and agencies' practices.

A letter will be sent to the Minister at the end of each financial year seeking feedback on the quality and timeliness of any advice provided. The Minister will be asked to assess the degree to which the periodic review of retirement income policies met its terms of reference and was complete, balanced and clear.

A key stakeholder/peak body survey will be introduced this year on the Retirement Commission's work in contributing to stable, effective government policy.

Outcome 4: All retirement villages move to meet societal expectations and current quality standards

Description:

Retirement villages will comply with all relevant legislation and meet both the expectations of society and their residents about the overall fitness of villages' accommodation, facilities and services in meeting contemporary standards of good quality retirement living.

Key impacts sought:

The retirement villages sector will be operating well if all villages meet the legal requirements for performance as set out both in the Retirement Villages Act 2003, associated regulations and Code of Practice and more generally, the expectations of residents. Intending residents will be able to make informed choices, and residents understand their rights, as a result of education programmes.

Activities:

The Commission will approve members of disputes panels and provide information on the disputes process.

The Code of Practice 2008 came into force on 2 October 2009. We are working with the Department of Building and Housing in ensuring the minimum requirements of the new Code are met. Our education and general information responsibility is delegated to the Department of Building and Housing which is better placed than the Commission to carry it out.

We will monitor the effects of the Act, regulations and Code of Practice and provide advice to the Minister for Building and Construction when requested or required. We will work with the Department of Building and Housing and the sector to make improvements based on the findings of our monitoring reports.

How we will measure results:

Measures will include some analysis of the nature, numbers and trends in complaints and disputes about retirement villages. Each year a monitoring report on a group or area within the retirement villages sector will be produced.

❖ WHO WE WORK WITH

As well as working closely with several Ministers, our key partners, stakeholders and areas of collaboration are:

Government agencies

- ~ Department of Building and Housing (retirement villages)
- ~ Department of Labour
- ~ Education Review Office
- ~ Families Commission
- ~ Inland Revenue Department (KiwiSaver, tax)
- ~ Ministry of Consumer Affairs (consumer issues)
- ~ Ministry of Economic Development (regulation, policy and review)
- ~ Ministry of Education (curriculum development)
- ~ Ministry of Health
- ~ Ministry of Pacific Island Affairs
- ~ Ministry of Social Development (research, policy and monitoring)
- ~ Ministry of Women's Affairs (women's issues related to retirement income)
- ~ Ministry of Youth Development
- ~ NZQA
- ~ Office for Senior Citizens (issues concerning older people)
- ~ Securities Commission (education on investing)
- ~ Te Puni Kōkiri (Māori issues related to retirement income and financial education)
- ~ Tertiary Education Commission
- ~ Treasury (research, policy and review)

Private sector

- ~ Accountants, lawyers (distribution)
- ~ Actuaries, economists (research)
- ~ Banks (distribution, funding of projects)
- ~ Employers (financial education)
- ~ Financial planners (education, distribution)
- ~ Industry association (policy discussions, standards)
- ~ Insurance companies (distribution)
- ~ Unions (workplace financial education)
- ~ KiwiSaver providers

Universities (retirement income research)

In the community

- ~ ACE Aotearoa
- ~ Citizens Advice Bureaux
- ~ Education channels
- ~ Interest groups and community organisations
 - Age Concern, Grey Power, SeniorNet, Freemasons
- ~ Libraries
- ~ Literacy Aotearoa
- ~ New Zealand Federation of Family Budgeting Services
- ~ Refugee & Migrant Services

Financial ombudsmen

- ~ Banking Ombudsman
- ~ Insurance and Savings Ombudsman

News media (distribution, public relations)

OUR PEOPLE AND SKILLS

The Commission is based in a small office in Wellington with nine staff and the Retirement Commissioner. We ensure an efficient and effective operation that delivers value for money, by maintaining a small core staff and contracting out various specialist functions. By doing this the Commission can remain adaptive and responsive to achieving its outcomes.

Our capability comprises our skilled people, resources, systems and relationships with stakeholders. We need the right mix of these to achieve the results we seek.

People: We must ensure that staff are skilled in a broad range of competencies with an emphasis on communications and marketing, relationship management and knowledge of the machinery of government. Additionally, staff need to develop a good knowledge of retirement and personal financial issues.

The specific skills required are:

- ~ *Marketing and related areas – promotion, public relations and web management.*
- ~ *Education curriculum design and delivery.*
- ~ *Relationship management with government and private sector stakeholders.*
- ~ *Research – market, economic and policy-related.*

Good employer practices and Equal Opportunities statement: The Commission encourages the achievement of work life balance and is a family-friendly work place. It takes a flexible approach to part-time work. Technology allows staff to work remotely from home when necessary. Staff turnover is low. The Commission has an Equal Opportunity plan.

Training and development: Staff are encouraged to identify required competencies and future training needs and to undertake relevant training. The Commission has a dedicated staff training budget. A personal development policy has been developed and provided to staff. All staff have a personal development plan which is reviewed annually. The Commission also runs some team training sessions over the year.

Organisational design: The Commission is a small organisation. The Retirement Commissioner is a 'corporation sole' and is 'the board' for the purposes of parts of the Crown Entities Act 2004. The Executive Director manages the operations (see Appendix – Organisation chart for details). The intention is to keep the organisation small, adaptive and nimble. Certain functions are contracted out in full or part such as: information technology; web design, research; public relations and advertising; and some project and programme management. We have a stable staff and thereby retain core institutional knowledge within the Commission.

Systems: Information technology is critical to the success of the Commission because of the high strategic value of its Sorted website. Apart from basic computing hardware, all technology functions are outsourced to ensure our organisation can make use of the best resources available at an appropriate cost, e.g. extra server capacity required during television advertising periods.

Resourcing: The Commission works in a cost effective manner within its current resources. Sorted is an example of achieving a major impact within available resources.

Relationships: The Commission must work with many stakeholders and its relationships have to be built on good, active communication and the development of mutual trust. The Commissioner meets and speaks with many organisations, groups and individuals from the government, private and community sectors.

Accommodation: The present leased accommodation provides value for money and is reviewed regularly.

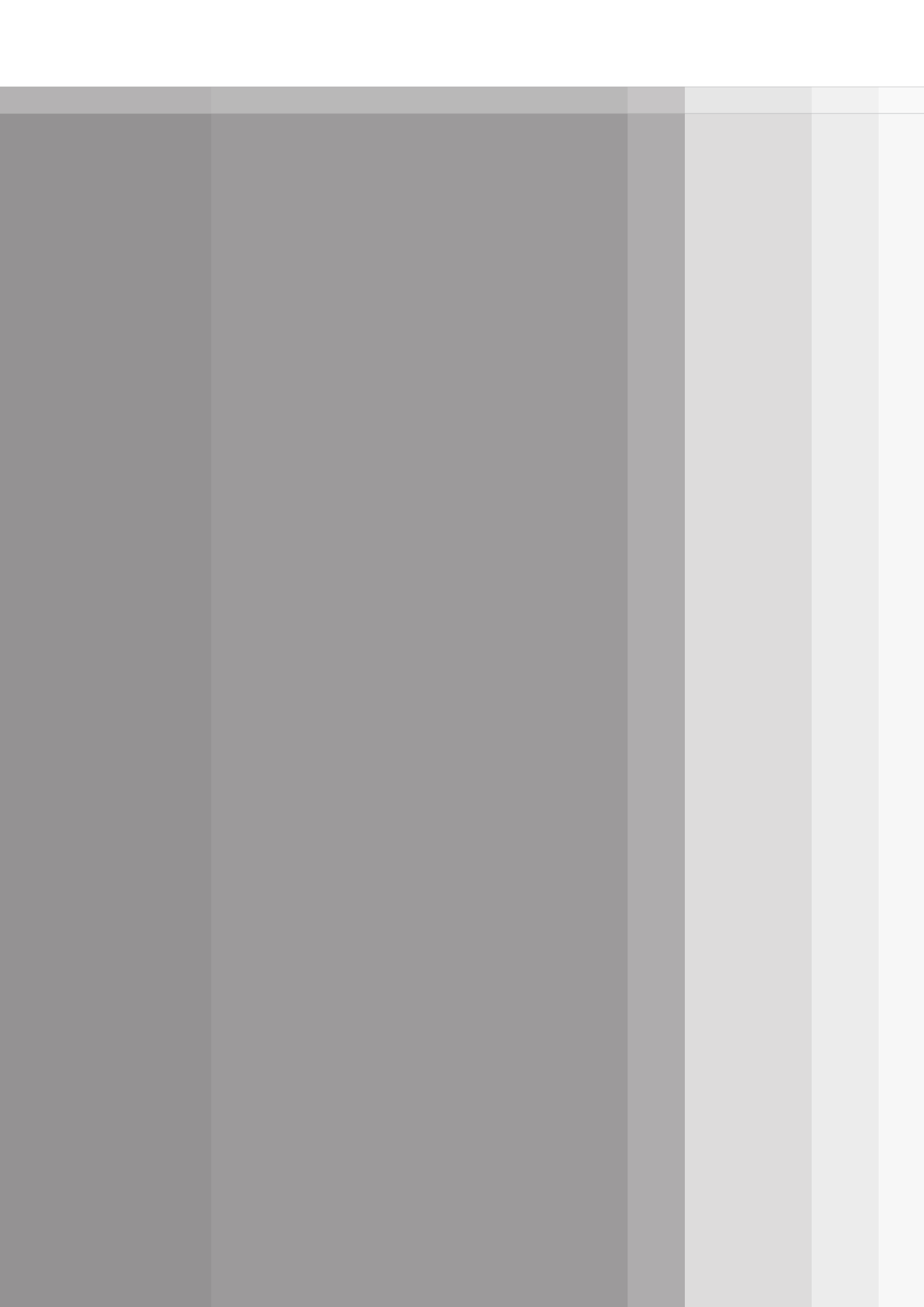
❖ RISK MANAGEMENT

The management of risk is a strategic activity and an essential part of ensuring that we meet our performance goals and results, provide value for money and avoid duplication. We have identified our exposure to potential vulnerabilities and what could go wrong. We have reduced this exposure by ensuring that we have the skills, capability and strategies to manage these risks and maintain our performance.

Risks	Response
<i>Losing credibility as the lead provider of good personal financial planning information.</i>	We will ensure our communications strategies and resources (e.g. websites, booklets) are of the highest possible quality (in terms of content and presentation). The accuracy and value of all information will be thoroughly tested before being used. We will monitor and as necessary act in response to trends in public perceptions of our communications and information services.
<i>Loss of focus on priorities.</i>	We will base our business planning on managing for the outcomes specified in this Statement of Intent. We will prioritise our work according to its contribution to achieving the impacts we are seeking.
<i>We are not valued by stakeholders.</i>	We will maintain good working relationships with stakeholders. We will respect our stakeholders' views and interests and as appropriate assist their relations with central government. We will look to undertake appropriate joint ventures to better integrate public and private sector initiatives aimed at improving personal financial management.
<i>Continuing global recession and failure of financial institutions.</i>	We will re-prioritise the Commission's priorities and strategies in consultation with Ministers.
<i>Loss of influence in our advice to government.</i>	Our advice to the Government will be authoritative and evidence-based. We will ensure that we work effectively with other government agencies to inform and assist their retirement-related policy development. We will initiate and support research and evaluation work, as appropriate, to better inform all aspects of retirement-related financial planning.
<i>Perceptions that the Commission is seen as promoting KiwiSaver rather than providing independent information.</i>	We will ensure that all communications are educational in nature and continue to provide general information on workplace savings.
<i>Perceptions that we do not meet the needs of particular segments of society due to a strategy that is primarily web-based.</i>	We will monitor and publicise the use of Sorted. We will constantly look at cost effective ways to meet target audience needs. We will balance our strategies to ensure effective communication across society by expressing Sorted content in a variety of formats (e.g. booklets, seminar modules).

❖ CONSULTATION AND REPORTING TO THE RESPONSIBLE MINISTER

The Commission will develop an Output Agreement for 2010/11 with the Minister for Social Development and Employment, setting out details on the way in which it will continue to consult and report on the Government's purchase and ownership interests in the entity. We will continue to work with the Minister on a 'no surprises' basis and raise issues at the earliest opportunity rather than waiting for formal reporting to be done. We will continue to brief the Minister on significant publications and releases.



PART 2:



FORECAST FINANCIAL STATEMENTS



INTRODUCTION

This section contains the following forecast financial statements:

- ~ *Statement of Responsibility*
- ~ *Statement of Forecast Service Performance*
- ~ *Statement of Forecast Comprehensive Income*
- ~ *Statement of Forecast Changes in Equity*
- ~ *Statement of Forecast Financial Position*
- ~ *Statement of Forecast Cash Flows*
- ~ *Statement of Underlying Assumptions to explain the basis on which the Office of the Retirement Commissioner has compiled the forecast financial statements.*

The forecast financial statements comply with NZ IFRS. Caution should be taken when reviewing the forecast financial statements as it is likely that the actual financial results will vary from the information presented and the variations may be material. The purpose of these forecast financial statements is to provide a base against which the Retirement Commissioner's actual performance can be assessed.

Summary of Output Costs (excl GST)

Output Category	2010/11 Cost \$0.000M	2011/12 Cost \$0.000M	2012/13 Cost \$0.000M
Research, Monitoring and Advice	0.735	0.604	0.606
Education and Information	5.100	4.940	4.960
Retirement Villages	0.215	0.215	0.215
Total	6.050	5.759	5.781

NB: Indicative application of costs only. The Retirement Commissioner has a single output expense.



❖ STATEMENT OF RESPONSIBILITY

The Retirement Commission is an autonomous Crown entity under the Crown Entities Act 2004 with its role established under the New Zealand Superannuation and Retirement Income Act 2001.

The Commission is responsible for the preparation of the Statement of Intent and prospective financial statements, including the assumptions on which the financial statements are based.

The prospective financial statements have been prepared in accordance with NZ IFRS. The Retirement Commission does not intend to update and republish the prospective financial statements.

The prospective financial statements have been developed for the purpose of presenting the Commission's intentions in Parliament, and should not be relied upon by any other party for any alternative purpose without the express written permission of the Commission. Actual results are likely to be different from the prospective financial statements and the variation may be material.

I have authorised the issue of the financial statements and the Statement of Forecast Service Performance on this day, 30 June 2010.

I am of the opinion that the financial statements fairly reflect the expected financial position and operations for the Commission.



DIANA CROSSAN
RETIREMENT COMMISSIONER

❖ FORECAST STATEMENT OF SERVICE

Forecast Statement of Service Performance

The outputs and performance standards for the Commission in 2010/11 are provided below. They are drawn from, and set out in more detail, in the Commission's work programme for 2010/11.

The Retirement Commission provides services under the following output areas:

- ~ *Advice*
- ~ *Research and Monitoring*
- ~ *Education and Information*
- ~ *Retirement Villages*

OUTPUT – ADVICE

The Retirement Commission's advice activities contribute to the following outcome: the Government's retirement income policies remain effective and stable.

Advice includes advising and reporting to the Minister for Social Development and Employment on retirement income and related issues and undertaking the periodic review of retirement income policies as required by section 84 of the New Zealand Superannuation and Retirement Income Act 2001. It also includes advice to other Ministers.

The extent to which the Retirement Commissioner's advice to the Government and its agencies is acted on will be a measure of our impact on retirement policies and agencies' practices.

Key deliverables	Quantity	Quality	Timeliness
<i>Periodic review of retirement income policies as required by the Act.</i>	Report to the Minister for Social Development and Employment on the review of retirement income policies as required by the New Zealand Superannuation and Retirement Income Act 2001.	The report on the review of retirement income policies meets the terms of reference set by the Government.	By 31 December 2010.
<i>Advice as may be requested by the Minister, or other Ministers, or provided to the Minister, or other Ministers, by the Commissioner.</i>	All advice requested by the Minister or other Ministers is provided.	In the annual feedback surveys the Minister, or other Ministers, are satisfied ¹⁰ or more than satisfied with the quality and timeliness of the Retirement Commissioner's advice.	All advice to the Minister, or other Ministers, is delivered within agreed timeframes.

¹⁰ Scale – 'not at all satisfied' to 'very satisfied'

OUTPUT – RESEARCH AND MONITORING

The Retirement Commission's research and monitoring activities contribute to the following outcomes: the Government's retirement income policies remain effective and stable; New Zealanders have more trust in the financial services sector.

Research and monitoring includes continuing to develop the Retirement Income Research Unit and monitoring trends in levels of awareness, knowledge, attitudes and behaviours relating to retirement planning.

Key deliverables	Quantity	Quality	Timeliness
<p><i>Research and monitoring projects that meet the needs of the three-yearly reviews of retirement income policies. These projects will help inform the 2010 review and future reviews.</i></p> <p><i>Promotion of research and debate about ways of improving trust in, and the efficiency of, the wider financial services sector.</i></p>	<p>Four research projects will be undertaken in 2010/11 relating to retirement income policy, financial literacy and a trustworthy financial services sector.</p> <p>Two seminars will be held in 2010/11 relating to retirement income policy and/or financial literacy.</p> <p>Key stakeholder/peak body annual survey about the Commissioner's work in contributing to its three goals.</p>	<p>Each research or project evaluation obtains a satisfactory¹¹ or better assessment from an external, independent review panel.</p> <p>70% or more of survey respondents assess the quality of the Commission's work towards each of its three strategic goals as good¹² or better.</p>	<p>All projects and the annual survey are delivered on time.</p>
<p><i>Operation and promotion of the Retirement Income Research Unit and its website, retirement.org.nz. The unit's material is available for use by researchers, policy analysts and the financial services industry.</i></p>	<p>At least three newsletters in the 2010/11 year will be produced by the Retirement Income Research Unit and distributed to stakeholders to promote the unit and website.</p>	<p>70% or more of website users find retirement.org.nz useful¹³ or better in annual survey (benchmark survey – April 2010).</p>	<p>All newsletters and the annual website survey are delivered on time.</p>

¹¹ Scale – 'very unsatisfactory' to 'very satisfactory'

¹² Scale – 'very poor' to 'very good'

¹³ Scale – 'not at all useful' to 'very useful'

OUTPUT – EDUCATION AND INFORMATION

The Retirement Commission's education and information activities contribute to the following outcomes: New Zealanders are better educated in financial matters and can make more informed financial decisions; New Zealanders have more trust in the financial services sector and the Government's retirement and income policies remain effective and stable.

Education and information includes developing education and information programmes to improve public understanding of lifetime financial management; improve public knowledge of how to go about financial planning; encourage those who can to make voluntary savings; and encourage other organisations to have similar goals.

The Commission's Sorted programme with its website, printed booklets and seminar modules are key resources. The Sorted website's practical content and calculators give users the opportunity to develop their financial plans and see the implications of various courses of action. (The Retirement Commission expects an average of 130,000 to 150,000 visitors to the sorted.org.nz and m.sorted.org.nz websites each month and an average of 25,000 to 30,000 booklets to be distributed each month).

Key deliverables	Quantity	Quality	Timeliness
<p><i>The Sorted website, booklets and seminars will be regularly refreshed and updated, and added to as required. This will ensure all information remains current and relevant for users.</i></p> <p><i>The Sorted website and resources will be promoted regularly to New Zealanders to ensure widespread awareness of the information available. The workplace financial education programme will continue to be delivered to help New Zealanders make more informed decisions about KiwiSaver and other workplace savings options.</i></p>	<p>Quarterly reviews to ensure that sorted.org.nz contains up-to-date information with functioning links.</p> <p>Sorted booklets and seminars are reviewed and updated annually.</p>	<p>Increase the percentage of New Zealanders who use Sorted resources from 19% to 30%¹⁴ by December 2010.</p> <p>Increase the proportion of users of Sorted resources that rate them as useful or better¹⁵ (65%, 2010).</p> <p>Maintain the percentage of New Zealanders who have used Sorted resources and have found that they have enough information to make an informed decision about KiwiSaver.¹⁶ (28% of 18-65 year olds)</p>	<p>All updates to the Sorted websites and resources are made on time to coincide with changes taking effect, e.g. changes to NZ Super rates.</p> <p>All surveys are carried out on time.</p>

¹⁴ Sorted Brand Awareness Survey 2009, Nielsen

¹⁵ Sorted User Survey 2009, Nielsen (62%)

¹⁶ KiwiSaver Campaign evaluation – Colmar Brunton, 2008

Key deliverables	Quantity	Quality	Timeliness
<i>The National Strategy for Financial Literacy will be revised with a five-year action plan.</i>	<p>A least three newsletters will be produced in 2010/11 by the Retirement Commission and distributed to stakeholders to promote the National Strategy for Financial Literacy and financialliteracy.org.nz website.</p> <p>The strategy is promoted through a national summit at least once every two years.</p>	<p>ANZ-Retirement Commission Financial Knowledge Survey – national measure as a result of collective work from organisations across the public, private and voluntary sectors – reduce the size of the lowest knowledge group from 33%¹⁷ to 25% by 2012.</p> <p>70% or more of website users find financialliteracy.org.nz useful¹⁸ or better in an annual survey. (benchmark survey – June 2010).</p>	<p>The revised strategy and five-year action plan will be launched in 2010/11.</p> <p>All newsletters and surveys are produced on time.</p> <p>The next national summit will be held in June 2011.</p>

¹⁷ 2009 ANZ-Retirement Commission Financial Knowledge Survey

¹⁸ Scale – 'not at all useful' to 'very useful'

OUTPUT – RETIREMENT VILLAGES

These activities contribute to the following outcome: all retirement villages move to meet societal expectations and current quality standards.

The Retirement Commissioner has advisory, monitoring, education, and appointment of disputes panel functions under the Retirement Villages Act 2003. The education and general information responsibility is delegated to the Department of Building and Housing. The advice responsibility is also delegated to the department apart from specific advice to our monitoring and Code of Practice functions.

Key deliverables	Quantity	Quality	Timeliness
<i>A monitoring and research programme on the effects of the Act, regulations and the Code of Practice.</i>	Annual monitoring report carried out on a group or area within the retirement villages sector.	Work done under the monitoring and research programme is judged to be satisfactory or better by the peer review process.	Key dates as specified in the project plans are met and reflect agreed priorities.
<i>Advice to the Minister when requested or required by the Act relating to monitoring and Code of Practice functions.</i>	Recommendations are provided on any draft code of practice as required.	The Minister is satisfied or better with the completeness and clarity of any recommendations provided on any draft codes of practice.	
<i>Approving suitable people for appointment by operators to disputes panels.</i>		Approving appointments to disputes panels as vacancies arise.	



FORECAST STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE			
	2010/11 \$	2011/12 \$	2012/13 \$
<i>Revenue</i>			
Revenue from Crown	5,682,000	5,682,000	5,682,000
Interest income	32,838	28,487	27,528
Total revenue	5,714,838	5,710,487	5,709,528
<i>Expenditure</i>			
Remuneration to Auditors	17,036	17,036	17,036
Personnel Costs	1,044,008	1,070,108	1,096,861
Depreciation	39,407	27,723	11,027
Amortisation	382,530	404,426	400,000
Property expenses	73,760	73,760	73,760
Leasing	10,000	10,000	10,000
Other operating costs	368,100	340,377	357,073
Advice and research	350,000	250,000	250,000
Retirement villages	215,000	215,000	215,000
Marketing and education	3,200,000	3,000,000	3,000,000
Retirement income review	150,000	150,000	150,000
Curriculum and schools	200,000	200,000	200,000
Total expenditure	6,049,841	5,758,430	5,780,757
<i>Net deficit for the year</i>	(335,003)	(47,943)	(71,229)



FORECAST STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE			
	2010/11 \$	2011/12 \$	2012/13 \$
<i>Public equity at beginning of year</i>			
Taxpayers funds	200,000	200,000	200,000
Retained earnings	788,582	453,579	405,636
Deficit for the year	(335,003)	(47,943)	(71,229)
<i>Public equity at end of year</i>			
Taxpayer funds	200,000	200,000	200,000
Retained earnings	453,579	405,636	334,407
	653,579	605,636	534,407



FORECAST STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE			
	2010/11 \$	2011/12 \$	2012/13 \$
Total current assets	682,956	650,501	591,864
Total non-current assets	483,992	451,843	440,816
Total assets	1,166,948	1,102,344	1,032,680
Total current liabilities	513,369	496,708	498,273
Total non-current liabilities	–	–	–
Total public equity	653,579	605,636	534,407
<i>Total public equity and liabilities</i>	1,166,948	1,102,344	1,032,680



FORECAST CASH FLOWS STATEMENT

FOR THE YEAR ENDED 30 JUNE			
	2010/11 \$	2011/12 \$	2012/13 \$
<i>Cash flows from operating activities</i>			
Cash will be provided from:			
Receipts from Crown revenue	5,682,000	5,682,000	5,682,000
Interest received	32,838	28,487	27,528
Net GST paid	21,228	1,851	(174)
	5,736,066	5,712,338	5,709,354
Cash will be applied to:			
Payments to suppliers and employees	(5,947,450)	(5,341,091)	(5,368,339)
<i>Net cash flows from operating activities</i>	(211,384)	(371,247)	(341,015)
<i>Cash flows from investing activities</i>			
Cash will be applied to:			
Purchase of intangible assets	(400,000)	(400,000)	(400,000)
Purchase of property, plant and equipment	(50,500)	–	–
<i>Net cash flows from investing activities</i>	(450,500)	(400,000)	(400,000)
Net increase/(decrease) in cash held	(661,884)	(28,753)	(58,985)
Plus cash at the start of the year	1,242,766	580,882	552,129
<i>Cash held at the end of the year</i>	580,882	552,129	493,144

❖ STATEMENT OF UNDERLYING ASSUMPTIONS

Significant assumption

The opening position of the forecasted statements is based on un-audited results for 2009/10. The actual results for April, May, and June 2010 are unavailable, and therefore, the balance as at 30 June 2010 has been estimated using April, May, and June 2010 forecast figures.

Other assumptions

The accrual basis of accounting has been used in the preparation of these forecast financial statements.

All revenue and expenditure will remain constant over the three years covered by these statements. The budget reflects the staffing levels of nine FTEs to meet the work programme.

There is a risk that these events and the associated income and expenditure do not occur.

❖ NATURE OF FORECASTED FINANCIAL STATEMENTS

The forecasted financial statements have been prepared as a best efforts indication of the Retirement Commission's future financial performance. Actual financial results achieved for the period covered are likely to vary from the information presented, potentially in a material manner.

❖ STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The Retirement Commissioner was appointed under the Retirement Income Act 1993 and confirmed under the amended New Zealand Superannuation and Retirement Income Act 2001. The Retirement Commission is a Crown Entity defined by the Crown Entities Act 2004, and is domiciled in New Zealand. As such, the Retirement Commission's ultimate parent is the New Zealand Crown.

The principal activity of the Retirement Commission is to help New Zealanders prepare financially for their retirement. The primary objective is to provide public services to the New Zealand public, as opposed to that of making a financial return.

Accordingly the Retirement Commission has designated itself as a public benefit entity for the purpose of New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS").

Basis of Preparation

Statement of Compliance

The financial statements of the Retirement Commission have been prepared in accordance with the requirements of the Crown Entities Act 2004, which includes the requirement to comply with New Zealand generally accepted accounting practice ("NZ GAAP").

Differential reporting

The Commission qualifies for Differential Reporting exemptions as it has no public accountability and does not qualify as large under the criteria set out in the Framework for Differential Reporting.

Differential reporting exemptions as available under the Framework for Differential Reporting have been applied to:

NZ IAS 24 Related Party Transactions

NZ IFRS 7 Financial Instruments: Disclosures

Measurement base

The financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar.

The functional currency of the Retirement Commission is New Zealand dollars.

Significant Accounting Policies

The following accounting policies, which materially affect the measurement of the forecast financial performance and financial position, have been applied.

Revenue

Revenue is measured at the fair value of consideration received or receivable.

REVENUE FROM THE CROWN

The Retirement Commission is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of the Retirement Commission meeting its objectives as specified in the statement of intent.

Revenue from the Crown is recognised as revenue when earned and is reported in the financial period to which it relates.

OTHER REVENUE

Revenue may also be obtained from the private sector.

INTEREST

Interest revenue is recognised using the effective interest method.

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the Retirement Commission are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the term of the lease in the forecast statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and other short-term highly liquid investments with original maturities of three months or less.

Debtors and other receivables

Debtors and other receivables, comprising trade debtors and accrued interest, are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment.

Property, plant and equipment

Property, plant and equipment asset classes consist of office equipment, furniture and fittings, computer equipment and leasehold improvements.

Property, plant and equipment are shown at cost or valuation, less any accumulated depreciation and impairment losses.

ADDITIONS

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Retirement Commission and the cost of the item can be measured reliably.

Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value when control over the asset is obtained.

DISPOSALS

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset.

Gains and losses on disposals are included in the forecast statement of comprehensive income.

SUBSEQUENT COSTS

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Retirement Commission and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the forecast statement of comprehensive income as they are incurred.

DEPRECIATION

Depreciation is calculated on a straight-line basis on property, plant and equipment once in the location and condition necessary for its intended use so as to write off the cost or valuation of the property, plant and equipment over their expected useful life to its estimated residual value.

The following estimated rates are used in the calculation of depreciation:

~ Office equipment	2 – 13 years	7.8% – 48.0%
~ Furniture and fittings	4 – 15 years	6.5% – 25.2%
~ Computer equipment	2 – 6 years	18.0% – 48.0%
~ Leasehold improvements	7 years	14.93%

Intangible assets**SOFTWARE ACQUISITION**

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment.

WEBSITE DEVELOPMENT

Costs that are directly associated with interactive aspects of the Sorted website are capitalised on an annual basis.

Costs associated with maintaining and advertising the Sorted website are recognised as an expense as incurred.

Costs associated with the development and maintenance of the Retirement Commission's website are recognised as an expense as incurred.

AMORTISATION

Amortisation is charged on a straight-line basis over the estimated useful life of the intangible asset.

The following estimated rates are used in the calculation of amortisation:

~ Software	2 – 3 years	30.0% – 48.0%
~ Website	2 years	48.0%

Impairment

Property, plant and equipment and intangible assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Retirement Commission would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The impairment loss is recognised in the forecast statement of comprehensive income.

Creditors and other payables

Creditors and other payables, comprising trade creditors and other accounts payable, are recognised when the Retirement Commission becomes obliged to make future payments resulting from the purchase of goods and services.

Employee entitlements

SHORT-TERM EMPLOYEE ENTITLEMENTS

Provisions made in respect of employee benefits expected to be settled within 12 months of reporting date, are measured at the best estimate of the consideration required to settle the obligation using the current remuneration rate expected.

These include salaries and wages accrued up to balance date and annual leave earned, but not yet taken at balance date.

The Retirement Commission recognises a liability and an expense for bonuses where it is contractually obliged to pay them, or where there is a past practice that has created a constructive obligation.

Sick leave has been assessed in accordance with NZ IFRS and determined that there is no liability. The Commission will continue to assess this annually.

Superannuation schemes

DEFINED CONTRIBUTION SCHEMES

Obligations for contributions to KiwiSaver and the State Sector Retirement Savings Scheme are accounted for as defined contribution superannuation scheme and are recognised as an expense in the statement of comprehensive income as incurred.

Goods and Services Tax (GST)

All items in the forecast financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue (IRD) is included as part of receivables or payables in the forecast statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the forecast statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

The Retirement Commission is a public authority and consequently is exempt from the payment of income tax. Accordingly, no charge for income tax has been provided for.

Cash flows statement

The forecast cash flows statement is prepared exclusive of GST, which is consistent with the method used in the forecast statement of comprehensive income.

Definitions of the terms used in the forecast cash flows statement are:

“Cash” includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes at call borrowings such as bank overdrafts, used by the entity as part of its day to day cash management.

“Investing activities” are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

“Financing activities” are those activities relating to changes in equity of the entity.

“Operating activities” include all transactions and other events that are not investing or financing activities.

Critical judgments in applying the Retirement Commission's accounting policies

In the application of NZ IFRS, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

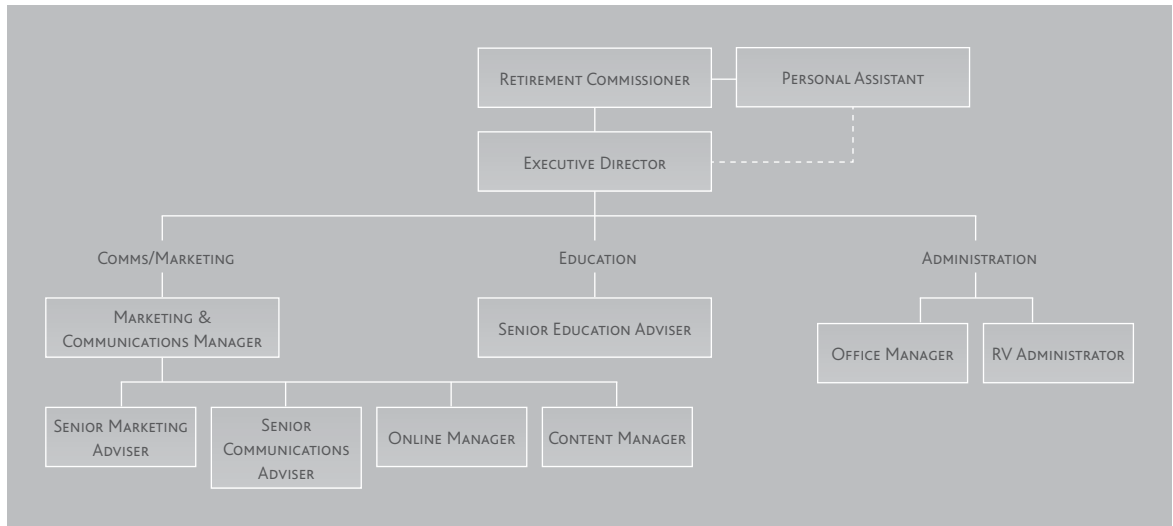
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

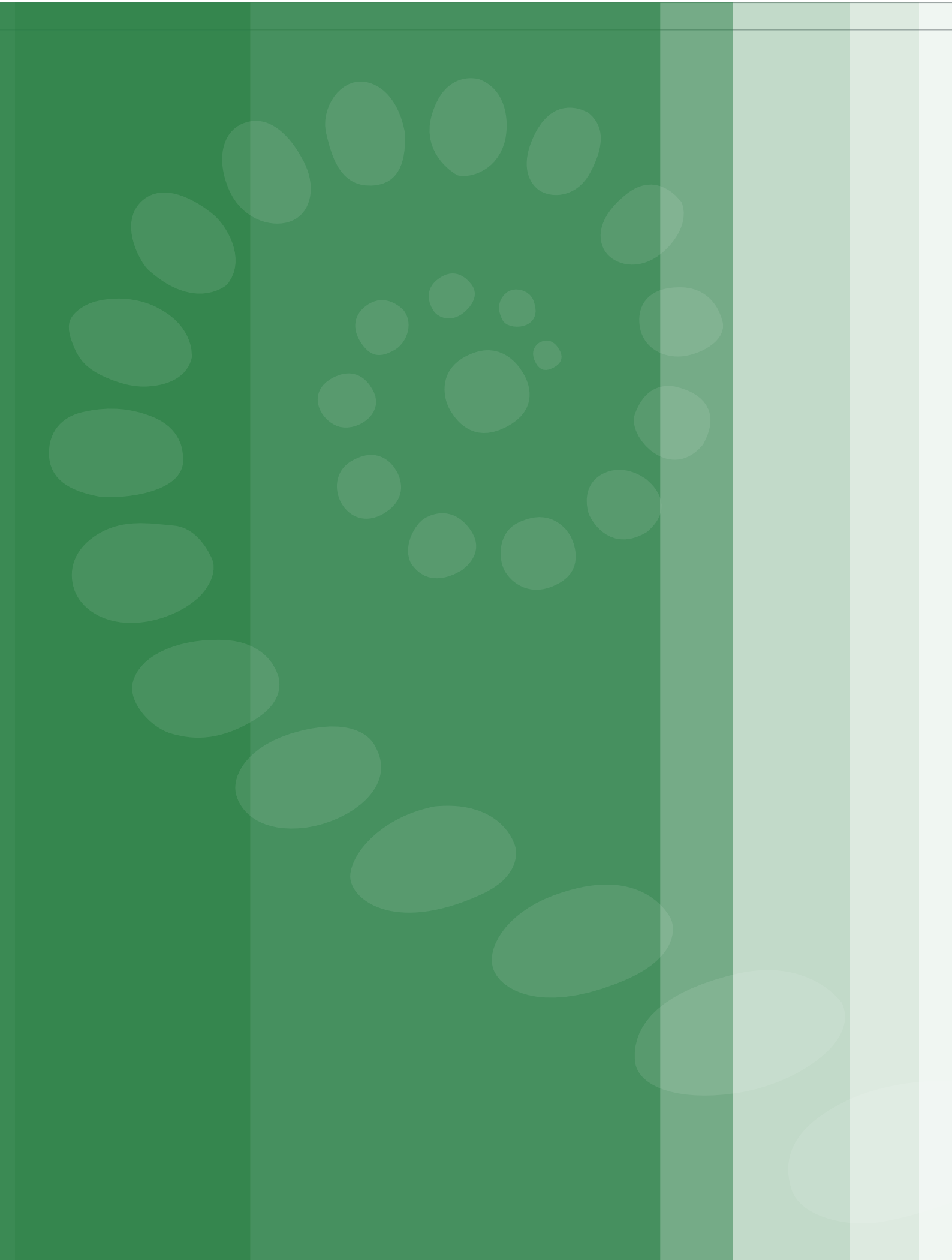
Judgments made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

➤ APPENDIX

OUR STRUCTURE

Organisation chart





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