

# Statement of Intent 2009/12

RETIREMENT COMMISSION





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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 fourth 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 2009/10 year covered by this Statement of Intent will be a busy and significant one for the Commission. During the past year the Commission's operating environment has changed significantly with the worldwide economic downturn and finance company collapses in New Zealand. As well as highlighting the importance of financial literacy, these developments have caused a significant increase in demand for financial education.

We have responded by providing up-to-the-minute information through [sorted.org.nz](http://sorted.org.nz) and other channels to help people make informed financial decisions in the face of changing interest rates, rising unemployment and falling house values. Usage of the Sorted website and booklets has increased considerably – in January 2009 website traffic was up by 30 percent compared with the same month in the previous year.

We expect this trend to continue in the coming year and the need and demand for Sorted resources to continue to grow. Our challenge is to keep the highly successful Sorted website and its associated booklets and seminar modules, 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.

Despite changes in the Commission's operating environment, our strategic direction remains the same. Our overarching goal is that New Zealanders are financially sorted. This continues to be supported by the three pillars of creating a financially educated population, developing a trusted financial services sector and maintaining stable and effective government policy so people can plan their retirement income with some certainty.

We are pleased with how the National Strategy for Financial Literacy has been acknowledged by a variety of public and private sector players following its launch last year. The Financial Literacy 09 summit, held in June 2009, marked the completion of the strategy's first year. In the coming year we hope to enhance the standing of the strategy's advisory committee with the support of the Government and business.

The Commission's role in relation to financial education in schools will undergo a significant change in 2009/10. We will pass responsibility for integrating personal financial education into school programmes for years 1-10 to the Ministry of Education. Our role will shift to monitoring progress and providing support. We will work with both the ministry and the Education Review Office to do this.

In tertiary education, work is underway to develop teaching resources and evaluation techniques for seven basic unit standards in personal financial education. In the coming year we will be working with a group of organisations to promote these to industry training organisations and educational institutions.

Building a trusted 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. As we have seen, trust is hard to establish and easy to destroy. 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.

Initial desk research is underway in preparation for the statutory 2010 review of retirement income policies. We will provide input into the terms of reference for the review in consultation with the Minister for Social Development and Employment. We will also be reviewing progress against the recommendations of the 2007 review.

I am confident that the 2009/12 Statement of Intent will provide a clear and valuable picture of our work and the results we seek.



DIANA CROSSAN  
RETIREMENT COMMISSIONER



## ❖ INTRODUCTION

The Retirement Commission helps New Zealanders prepare financially for retirement, through education, information and promotion.

Our work 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:

- ~ *Creating a financially educated population.*
- ~ *Developing a trusted financial services sector.*
- ~ *Maintaining stable effective government policy.*

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, as it has for many years, 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.

The Commission takes a lifetime approach to educating and informing the public about managing personal finances. Financial attitudes and behaviours start early in life, as do opportunities to build the basic skills of literacy and numeracy needed to make sound financial decisions. So, for example, we are helping to integrate personal financial literacy education programmes into the school curriculum. And in tertiary education we are working with a group of organisations to develop teaching resources and evaluation techniques for seven basic unit standards in personal financial education.

We also operate in the workplace and work with adults and older New Zealanders in the community. The Commission is best known to New Zealanders through the Sorted website and booklets. The website offers free impartial information, including 32 interactive calculators, to help Kiwis of all ages understand money matters and manage their personal finances throughout life.

We are working with financial service industry organisations to help them raise the bar on quality of product, service, information and advice. Our recent focus has been on improving the transparency of language about financial products and the clarity of organisations' communications with their customers. We will also be working to ensure the effectiveness of the Financial Advisers Act 2008. We expect financial education will form an integral part of achieving effective disclosure.

In 2010 the Commission will conduct its second three-yearly review of retirement income policies. These statutory reviews, required under the New Zealand Superannuation and Retirement Income Act 2001, provide the opportunity to monitor the effectiveness and sustainability of the Government's retirement income policies, thus helping to avoid sudden, major changes that those close to or in retirement would have little opportunity to respond to. The first review, in 2007, provided a contextual overview of current policy settings and outcomes, followed by more in-depth analysis. It has helped widen understanding of current retirement policy and where it is heading.

The National Strategy for Financial Literacy has been acknowledged by a range of public and private sector players following its launch last year. We look forward to continuing to work with them to achieve our shared vision of personal financial wellbeing for New Zealanders. In the coming year we hope to enhance the standing of the strategy's advisory committee with the support of government and business.

The Retirement Commission has a role in protecting the interests of residents and intending residents of retirement villages by monitoring the Retirement Villages Act 2003. We are considering the results of our review of the role and function of statutory supervisors under the Act and starting the next review in our five-year programme, of retirement village operators.



## 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 legislation.*
- ~ *Approving members of disputes panels.*
- ~ *Providing information as required by the Act.*
- ~ *Making recommendations to the Minister for Building and Construction on any draft codes of practice.*

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 our monitoring and Code of Practice functions.

### The Commission operates three websites:

- ~ *[www.retirement.org.nz](http://www.retirement.org.nz) – home of the Retirement Commission and the Retirement Income Research Unit*
- ~ *[www.sorted.org.nz](http://www.sorted.org.nz) – offering free, impartial information and calculators to help Kiwis understand money matters and manage their personal finances throughout life*
- ~ *[www.financialliteracy.org.nz](http://www.financialliteracy.org.nz) – home of the Centre for Financial Literacy and the national strategy for financial literacy.*

The Commission reports 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). We also keep the Minister of Education informed about our work in schools and tertiary institutions and the Minister of Finance 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 choice within this environment.

The key underlying assumption used in financial planning for retirement is that the 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 as follows.

- ~ *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 of 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 choices 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 through the commitment of other stakeholders to improving New Zealanders' ability to make sound financial decisions. 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	<p><b>Create a financially educated population</b></p> <p style="text-align: center;">↓</p>
OUTCOMES	<p>New Zealanders are better educated in financial matters and can make more informed financial decisions throughout their lives.</p> <p style="text-align: center;">↓</p>
IMPACTS	<ul style="list-style-type: none"> <li>~ <i>Improved public understanding of lifetime financial management.</i></li> <li>~ <i>Improved public knowledge of how to go about financial planning.</i></li> <li>~ <i>New Zealanders can make informed decisions on participation in KiwiSaver or other savings options in the context of their wider personal financial situation.</i></li> </ul> <p style="text-align: center;">↓</p>
MAIN MEASURES	<p>Changes in attitudes, levels of financial knowledge and action taken as a result of accessing the Commission's education programmes and information.</p> <p style="text-align: center;">↓</p>
INDICATORS	<ul style="list-style-type: none"> <li>~ <i>Reduce the size of the lowest financial knowledge group from 33% to 25% by 2012.</i></li> <li>~ <i>Increase the percentage of New Zealanders who use Sorted resources from 19% to 30% by September 2010.</i></li> <li>~ <i>Maintain 2007 levels of New Zealanders using Sorted resources to help them make a decision about KiwiSaver (28% of 18-65 year olds).</i></li> <li>~ <i>Achieve targets for increases in Sorted website visits, calculations via website and booklets distributed.</i></li> </ul> <p style="text-align: center;">↓</p>
OUTPUTS	<ul style="list-style-type: none"> <li>~ <i>Education and Information</i></li> </ul>

**Develop a trusted financial services sector**

**Maintain 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.
- ~ Legislation and regulation operate effectively.
- ~ 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.
- ~ 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).

- ~ Extent to which the Retirement Commissioner's advice to the Government and its agencies is acted on.
- ~ The Minister's level of satisfaction with the Commissioner's advice.
- ~ The Minister's satisfaction with the 2010 review of retirement income policies fulfilling its terms of reference.

- ~ Set a new benchmark for the percentage of adult New Zealanders who agree or strongly agree with the statement 'I trust most financial advisers'.
- ~ Further standards will be developed for 2010/11.

- ~ The Minister is satisfied or better with the Retirement Commissioner's advice.
- ~ The Minister is satisfied or better that the 2010 review of retirement income policies fulfils its terms of reference.

- ~ Research and Monitoring
- ~ Education and Information

- ~ Research and Monitoring
- ~ 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"> <li>~ The effects of the Retirement Villages Act are monitored.</li> <li>~ The disputes process under the Act is administered efficiently and effectively.</li> <li>~ The Minister for Building and Construction receives comprehensive recommendations on any draft codes of practice.</li> </ul>
	↓
MAIN MEASURES	<ul style="list-style-type: none"> <li>~ 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.</li> <li>~ Some analysis of the nature, numbers and trends in complaints, queries and disputes within retirement villages.</li> </ul>
	↓
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"> <li>~ Research and Monitoring</li> <li>~ Advice (limited to the Commission's monitoring and Code of Practice functions)</li> </ul>

\* 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 our monitoring and Code of Practice functions.

## ENVIRONMENT

Much of the Retirement Commission's strategic work takes account of trends and possible long term future scenarios. This section of our Statement of Intent focuses primarily on issues and influences that are relevant to our work over the next three years, but also in the longer term.

### Our immediate operating environment

The Commission's immediate operating environment has changed in the past year as a result of the worldwide economic downturn and disruption within some parts of the financial services sector. Both of these have impacted on our work and have implications for New Zealanders planning financially for their retirement.

New Zealanders close to or in retirement have been particularly hit by the drop in interest rates and subsequent drop in returns on their savings, and the fall in value of many superannuation and investment funds. Many in this group have also lost savings in failed finance companies and, because of their stage in life, have limited opportunity to recoup their losses. However, for New Zealanders with mortgages the drop in interest rates has brought the opportunity to pay off debt more quickly.

House values have also declined in the last year bringing to an end, at least for now, the dramatic rise in prices over the last decade. This has resulted in a decline in New Zealanders' net worth. Again the greatest impact has been felt by those close to or in retirement looking to realise the value of their houses. For some New Zealanders the fall in house prices has led to negative equity where the mortgage is greater than the current value of the house. However, for others, lower prices have brought an increase in housing affordability.

Rising unemployment and a tighter labour market are also likely to have an impact on people's ability to save or manage debt should they lose their job or suffer a cut in income.

Performance failure in the financial services sector, such as the recent collapse of many finance companies and perceived unethical practices, is likely to have undermined efforts to build the public's trust in the sector.

At an anecdotal level, people's confidence in financial markets appears to have been affected though the longer term impact of this is not yet clear. In the coming year, the Commission will look at options for researching consumer trust and monitoring levels of trust and confidence in the sector.

There are different views on the impact and medium to long term effects of the worldwide recession. No one knows what the future environment will be like which makes it less certain for all New Zealanders in relation to retirement income. Fortunately New Zealand Superannuation remains a solid foundation for retired people and all the major political parties view its stability as important.

Not surprisingly, these economic challenges have led to an increasing demand for financial education. The focus of the Commission's work is on helping New Zealanders become more informed and skilled at managing their personal finances. This is based on the view that the quality of a retired person's life will depend significantly on their standard of living and most significantly, that the retirement income a retired person receives will largely determine this standard.

We make some fundamental and important assumptions about this operating context, and if change did occur, for example, in the Government's retirement income policies, then this could have an impact on our work.

Our key operating assumption is that the sources of retirement income and government retirement income policy will continue to be reasonably stable and that a high level of political consensus on this policy will be maintained.

The KiwiSaver scheme, introduced in July 2007, is likely to continue its increase in membership over time. Prospective and existing members will require ongoing information to make informed decisions, at the point of entry and at regular membership anniversaries, and whenever the Government makes changes to the scheme. The Commission will continue to provide up-to-date and relevant information at these points.

❖ In October 2006 the Commission launched a three-year workplace financial education programme. The objective of the programme is to help New Zealanders make decisions on their participation in KiwiSaver, or other savings options, in the context of their wider personal financial situation. This workplace programme was extended for a further four years in 2008.

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

### **Factors that could affect our operating environment**

The following situations or events could affect our operating environment.

*Slow global recovery from the current recession:* The speed of the global recovery will affect the time it takes for unemployment rates to stop rising and people's net worth to start increasing again.

*Personal debt levels:* With the high level of household debt, and a lower rate of employment growth, an increasing proportion of New Zealanders will find it hard to service their debt. This could make it more difficult for them to reach their retirement savings goals in the longer term.

*Loss of the current political consensus about the Government's ongoing commitment to funding retirement incomes:* This continuing consensus might not be assured in the future.

### **The wider environment**

New Zealand's society is changing and ageing and there is an opportunity now for the Retirement Commission to provide financial education to the large number of working baby boomers, before they retire.

*We are all getting older on average...*

The median age increased from 26 years in 1971 to 36 in 2006 and is expected to reach 40 in 2027. By 2061 half the population will be aged 44 years and older.

*The old will be getting older...*

In 2006 the oldest 10% of the population was 68 and older; in 2050 it will be 80 and older.

*There will be fewer 'work-aged' people compared with older people...*

~ *The number of people aged 65 years and older doubled between 1972 and 2006 to 510,000.*

~ *It is estimated there will be 1.44 million people aged 65 and over in 2061, 3.8 times the 2006 total.*

~ *For every person aged 65 and over, there will be 2.2 people in the conventional working age group (15-64) by 2061, compared with 5.4 people in 2006.<sup>1</sup>*

Other relevant trends include the increasing ethnic diversity of the population and the trend towards more people aged 65 and over who have paid employment.

Already, the number of working Kiwis classed as 'older workers' (aged 50 – 64) has more than doubled between 1991 and 2005.<sup>2</sup>

For many in this age group, the word 'retirement' is outdated. Some will want to stop work earlier, but others will want to keep working well into their 70s or older.

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.

<sup>1</sup> Statistics New Zealand, National population projections Series 5, 2006

<sup>2</sup> Labour Department, Older People in Work: Key Trends and Patterns 1991 – 2005

Other trends and issues that may hold long term implications include the following.

- ~ *Increasing personal debt levels, such as 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.*
- ~ *Different patterns of 'retirement' as individuals start part-time or other paid work at different points.*
- ~ *Women's reduced ability to 'save for retirement' as a result of lower earnings and labour force participation rates.*

We expect the range of retirement income sources to remain broadly the same – that is from the Government, privately funded investments, including KiwiSaver, and workplace superannuation. However, the balance between these sources might change.

In summary, we can forecast with some confidence that, in the longer term future, New Zealand will have an older and more diverse population that displays more varied patterns of paid work, both in the conventional working age and retirement age groups. People are also likely to have higher expectations of what is an acceptable standard of retirement living.

However, whatever the current or future environment, there remains the need for each individual to plan financially not only for their retirement but throughout life.



## OUR GOALS AND OUTCOMES

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

### Goals

There are three high level goals 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.*
- ~ *Developing a trusted financial services sector.*
- ~ *Maintaining 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.*<sup>3</sup>**

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.

### Retirement villages

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.

### 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.

<sup>3</sup> Unlike our other outcomes this is not an outcome for change. Rather it is focused on the need to ensure any changes to retirement income policies are made with sufficient notice and lead time so New Zealanders can plan their finances for retirement with certainty.

## 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 strategies. 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.

In the current economic downturn, up-to-the minute information is being provided through sorted.org.nz and the news media to help people make informed financial decisions in the face of current trends, such as changing interest rates, dwindling returns on investments and rising unemployment.

Extension of the workplace financial education programme (featuring KiwiSaver decision making tools and information), in addition to regular Sorted marketing activities, mean that future Sorted activity will be dominated by:

- ~ Offering core Sorted tools to help New Zealanders to make informed financial decisions in the current economic downturn.
- ~ Continuing to develop the Sorted programme so that it offers motivational guidance around money matters.
- ~ Enhancing the 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 (e.g. through the introduction of a blog on sorted.org.nz).
- ~ Targeting the distribution of our printed material to specific segments of the population, e.g. through supermarkets.
- ~ Expanding Sorted communication to include community-based seminars and conversations.
- ~ Expanding the range of KiwiSaver decision making tools and information available for both prospective 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 continue to be segmented as follows:

- ~ Children, 5-15 years old.
- ~ Young adults, 16-24 years old in and out of the workforce or education.
- ~ Adults, 25-54 years old in the workplace and in the community.
- ~ Adults, 55 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.

**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 brand attribute tracking.

**1. Key financial knowledge measure:**

~ To reduce the size of the lowest knowledge group from 33% 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 September 2010 with over half the interaction being through the workplace.

~ To increase the percentage of Sorted visitors who find the website useful from 62%<sup>4</sup> to 65% by June 2010.

~ Maintain the current 89%<sup>5</sup> 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.<sup>6</sup>

**4. Sorted resource use – rolling monthly average over 12 months at June 2010:**

~ Visits to sorted.org.nz 130,000 – 160,000 (110,000 – 140,000 in 2008/09).

~ Calculations made via sorted.org.nz 600,000 – 800,000 (500,000 – 700,000 in 2008/09).

~ Sorted booklets distributed 20,000 – 25,000 (8,000 – 10,000 in 2008/09).

The advisory committee for the National Strategy for Financial Literacy will report annually to Parliament through the Retirement Commission.

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

**Description:**

A trusted 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 trusted 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.

<sup>4</sup>Sorted User Survey 2009, Nielsen

<sup>5</sup>Sorted User Survey 2009, Nielsen

<sup>6</sup>KiwiSaver Campaign evaluation – Colmar Brunton, 2008

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 English 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.

We will set a new benchmark for the percentage of adult New Zealanders who agree or strongly agree with the statement '*I trust most financial advisers*'<sup>7</sup> and monitor this over the coming three years.

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

We will develop further standards for measuring progress for 2010/11.

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

**Description:**

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 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.

<sup>7</sup> Sorted. Financial and Retirement Planning in 2005. AC Nielsen

**Activities:**

The Commission will report to the Minister on the progress officials are making on implementing the agreed recommendations of the 2007 review of retirement income policies. We 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 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.

**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 will come into force on 2 October 2009. We will work 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

Our major partners and stakeholders, and areas of collaboration, are as follows:

### **Government agencies**

- ~ Capital Market Development Taskforce (financial literacy)
- ~ Department of Building and Housing (retirement villages)
- ~ Department of Labour
- ~ 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 Social Development (research, policy and monitoring)
- ~ Ministry of Women's Affairs (women's issues related to retirement income)
- ~ 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)
- ~ 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)

### **Universities (retirement income research)**

#### **Community groups**

- ~ Citizens Advice Bureaux
- ~ Education channels
- ~ Interest groups and community organisations – Age Concern, Grey Power, SeniorNet
- ~ Libraries
- ~ New Zealand Federation of Family Budgeting 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 seven 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 in 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.

*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, eg 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.

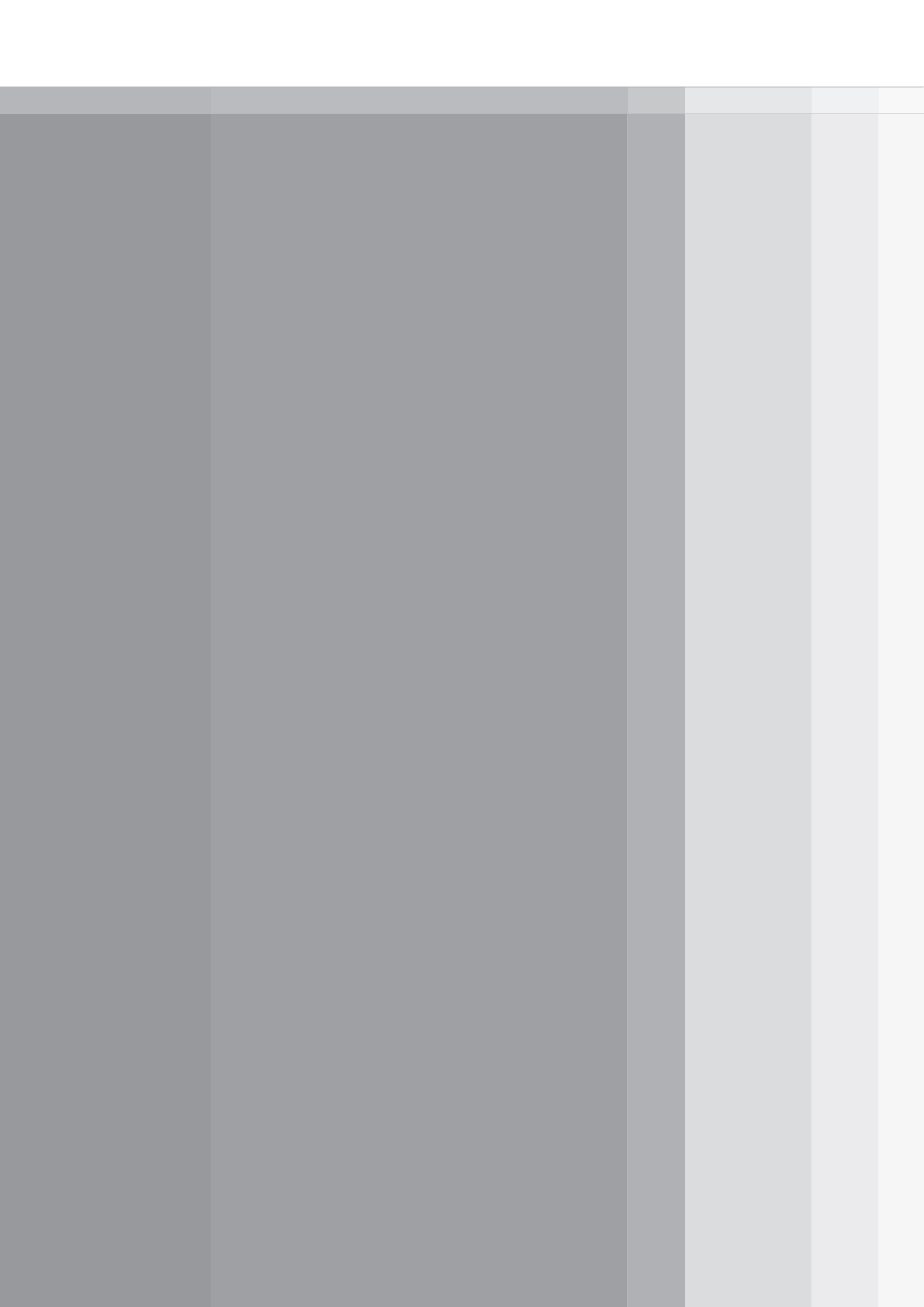
## ❖ RISK MANAGEMENT

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

## ❖ CONSULTATION AND REPORTING TO THE RESPONSIBLE MINISTER

The Commission will develop an Output Agreement for 2009/10 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

Output	Output Category	2009/10 Cost \$0.000M	2010/11 Cost \$0.000M	2011/12 Cost \$0.000M
5.1 & 5.2	Research, Monitoring and Advice	0.495	0.514	0.519
5.3	Education and Information	5.472	4.989	4.993
5.4	Retirement Villages	0.215	0.215	0.215
<b>Total</b>		<b>6.182</b>	<b>5.718</b>	<b>5.727</b>

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 tabling 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.

We have authorised the issue of the financial statements and the Statement of Forecast Service Performance on this day, 30 June 2009.

We are 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 2009/10 are provided below. They are drawn from, and set out in more detail, the Commission's work programme for 2009/10.

The Retirement Commission provides services under the following output areas:

- ~ *Advice to its responsible Minister*
- ~ *Research and Monitoring*
- ~ *Education and Information*
- ~ *Retirement Villages*

### Outputs

#### 5.1 Advice

##### *Description*

The advice part of the output class 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. These activities contribute to the following outcome: government's retirement income policies remain effective and stable.

##### *Key Deliverables*

- ~ *Advice as may be requested by the Minister, or provided to the Minister by the Commissioner.*
- ~ *Periodic review of retirement income policies as required by the Act.*

##### *Measures*

A letter will be sent to the Minister at the end of the financial year seeking feedback about whether the Minister was satisfied or more than satisfied with the quality and timeliness of any advice provided.

##### Indicators

##### *Quality*

- ~ *The Minister is satisfied or more than satisfied with the quality and timeliness of the Retirement Commissioner's advice.*
- ~ *The review of retirement income policies is carried out in accordance with the New Zealand Superannuation and Retirement Income Act 2001 – standard met.*

##### *Quantity*

- ~ *All advice requested by the Minister is provided to the Minister by the Commissioner.*
- ~ *The 2010 review of retirement income policies is started.*
- ~ *The review of retirement income policies is carried out in accordance with the New Zealand Superannuation and Retirement Income Act 2001 – standard met.*

##### *Timeliness*

- ~ *All advice to the Minister is delivered within agreed timeframes.*

Note: These standards will create a benchmark for future comparisons.

## 5.2 Research and Monitoring

### *Description*

The research and monitoring part of this output class includes continuing to develop the Retirement Income Research Unit, and monitoring trends in levels of awareness, knowledge, attitudes and behaviours relating to retirement planning. These activities contribute to the following outcomes: government's retirement income policies remain effective and stable; New Zealanders have more trust in the financial services sector.

### *Key Deliverables*

- ~ *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.*
- ~ *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.*
- ~ *Promotion of research and debate about ways of improving trust in, and the efficiency of, the wider financial services sector.*

### *Measures*

Independent review panels will assess each research project. Occasional online and other surveys of users of the website, retirement.org.nz, will be undertaken.

### *Indicators*

#### *Quality*

- ~ *Each research or project evaluation obtains a 'satisfactory or better' assessment from an independent review panel.*
- ~ *A benchmark will be set for the proportion of website users finding retirement.org.nz 'useful' or 'very useful' in regular online surveys.*

#### *Quantity*

- ~ *Three newsletters from the Retirement Income Research Unit will be produced and distributed to stakeholders to promote the unit and website. These newsletters will also contain items concerning building trust in the financial services sector.*
- ~ *Two seminars will be held with the financial services sector to discuss issues related to building New Zealanders' trust in the sector.*
- ~ *The quantity of research and monitoring projects will be determined once the terms of reference for the 2010 periodic review are available.*

### *Timeliness*

All projects are delivered on time.

Note: These standards will create a benchmark for future comparisons.

### 5.3 Education and Information

#### Description

The education and information part of the output class 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. These 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.

#### Key Deliverables

- ~ *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.*
- ~ *The Sorted website and resources will be promoted regularly to New Zealanders to ensure widespread awareness of the information available.*
- ~ *The National Strategy for Financial Literacy will be promoted to key stakeholders to encourage a range of contributions to improving New Zealanders' financial literacy.*
- ~ *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.*

#### Measures

Satisfaction levels of users of Sorted resources will be measured annually (such measures will include usefulness). The number of employees who report that they had enough information to make a decision about workplace savings will be measured. Reviews will be carried out, at least once a quarter, to ensure sorted.org.nz contains up-to-date information with functioning links.

#### Indicators

##### Quality

- ~ *Reviews to ensure that sorted.org.nz contains up-to-date information with functioning links will be carried out at least quarterly.*
- ~ *The proportion of people rating the Sorted website as useful or very useful increases from 62% to 65%.*
- ~ *At least 50% of New Zealanders who have used Sorted resources report that they have enough information to make an informed decision about KiwiSaver.*

##### Quantity

- ~ *Reviews to ensure that sorted.org.nz contains up-to-date information with functioning links will be carried out at least quarterly.*
- ~ *Sorted booklets are reviewed and updated, if necessary, at least once a year.*
- ~ *Sorted seminars are reviewed and updated, if necessary, at least once a year.*
- ~ *The National Strategy for Financial Literacy is promoted through a national summit at least once every two years, starting in June 2009.*

##### Timeliness

All updates to the Sorted website and resources are made on time to coincide with changes taking effect, e.g. changes to NZ Super rates.

## 5.4 Retirement Villages

### *Description*

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

### *Key Deliverables*

- ~ *Recommendations to the Minister for Building and Construction on any draft codes of practice.*
- ~ *A monitoring and research programme on the effects of the Act, regulations and the Code of Practice when in force.*
- ~ *Advice to the Minister when requested or required by the Act relating to monitoring and Code of Practice functions.*
- ~ *Approving suitable people for appointment by operators to disputes panels.*

### *Measures*

- ~ *Peer review of the work carried out under the monitoring and research programme.*
- ~ *A letter will be sent to the Minister at the end of the financial year seeking feedback on the quality and timeliness of any recommendations provided on any draft codes of practice. The Minister will be asked to assess the completeness and clarity of the recommendations.*

### *Indicators*

#### *Quality*

- ~ *Work done under the monitoring and research programme is judged to be satisfactory or better by the peer review process.*
- ~ *The Minister is satisfied or better with the completeness and clarity of any recommendations provided on any draft codes of practice.*

#### *Quantity*

- ~ *One monitoring report is carried out each year on a group or area within the retirement villages sector.*
- ~ *Recommendations are provided on any draft code of practice as required.*
- ~ *Approving appointments to disputes panels as vacancies arise.*

#### *Timeliness*

Key dates as specified in the project plans are met and reflect agreed priorities.

#### *Cost*

The above output will cost **\$5,682,000** (excl GST) in 2009/10.



# FORECAST STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE			
	2009/10 \$	2010/11 \$	2011/12 \$
<b>Revenue</b>			
Revenue from Crown	<b>5,682,000</b>	5,682,000	5,682,000
Interest income	<b>44,915</b>	41,697	42,038
<b>Total revenue</b>	<b>5,726,915</b>	5,723,697	5,724,038
<b>Expenditure</b>			
Remuneration to Auditors	<b>16,750</b>	16,750	16,750
Personnel Costs	<b>868,175</b>	889,879	912,127
Depreciation	<b>38,036</b>	23,955	13,013
Amortisation	<b>388,229</b>	382,991	400,000
Property expenses	<b>69,080</b>	69,080	69,080
Leasing	<b>10,000</b>	10,000	10,000
Other operating costs	<b>419,134</b>	433,215	444,157
Advice and research	<b>200,000</b>	200,000	200,000
Retirement villages	<b>215,000</b>	215,000	215,000
Marketing and education	<b>3,607,000</b>	3,127,000	3,097,000
Retirement income review	<b>150,000</b>	150,000	150,000
Curriculum and schools	<b>200,000</b>	200,000	200,000
<b>Total expenditure</b>	<b>6,181,404</b>	5,717,870	5,727,127
<b>Net surplus for the year</b>	<b>(454,489)</b>	<b>5,827</b>	<b>(3,089)</b>



## FORECAST STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE			
	2009/10 \$	2010/11 \$	2011/12 \$
<i>Public equity at beginning of year</i>			
Taxpayer funds	200,000	200,000	200,000
Retained earnings	902,014	447,525	453,352
Surplus for the year	(454,489)	5,827	(3,089)
<i>Public equity at end of year</i>			
Taxpayer funds	200,000	200,000	200,000
Retained earnings	447,525	453,352	450,263
	<b>647,525</b>	<b>653,352</b>	<b>650,263</b>



## FORECAST STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE			
	2009/10 \$	2010/11 \$	2011/12 \$
Total current assets	722,229	714,760	722,897
Total non-current assets	445,746	438,800	425,787
Total assets	<b>1,167,975</b>	1,153,560	1,148,684
Total current liabilities	520,450	500,208	498,421
Total non-current liabilities			
Total public equity	647,525	653,352	650,263
<i>Total public equity and liabilities</i>	<b>1,167,975</b>	<b>1,153,560</b>	<b>1,148,684</b>



# FORECAST CASH FLOWS STATEMENT

FOR THE YEAR ENDED 30 JUNE			
	2009/10 \$	2010/11 \$	2011/12 \$
<b><i>Cash flows from operating activities</i></b>			
Cash will be provided from:			
Receipts from Crown revenue	<b>5,682,000</b>	5,682,000	5,682,000
Interest received	<b>44,915</b>	41,697	42,038
Net GST paid	<b>17,134</b>	2,250	198
	<b>5,744,049</b>	5,725,947	5,724,236
Cash will be applied to:			
Payments to suppliers and employees	<b>(6,301,125)</b>	(5,328,918)	(5,315,701)
	<b>(6,301,125)</b>	(5,328,918)	(5,315,701)
<b><i>Net cash flows from operating activities</i></b>	<b>(557,076)</b>	397,029	408,535
<b><i>Cash flows from investing activities</i></b>			
Cash will be applied to:			
Purchase of intangible assets	<b>(400,000)</b>	(400,000)	(400,000)
Net increase/(decrease) in cash held	<b>(957,076)</b>	(2,971)	8,535
Plus cash at the start of the year	<b>1,572,121</b>	615,045	612,074
<b><i>Cash held at the end of the year</i></b>	<b>615,045</b>	<b>612,074</b>	<b>620,609</b>

## ❖ STATEMENT OF UNDERLYING ASSUMPTIONS

### *Significant assumption*

The opening position of the forecasted statements is based on un-audited results for 2008/2009. The actual results for April, May, and June 2009 are unavailable, and therefore, the balance as at 30 June 2009 has been estimated using April, May, and June 2009 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 eight 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.

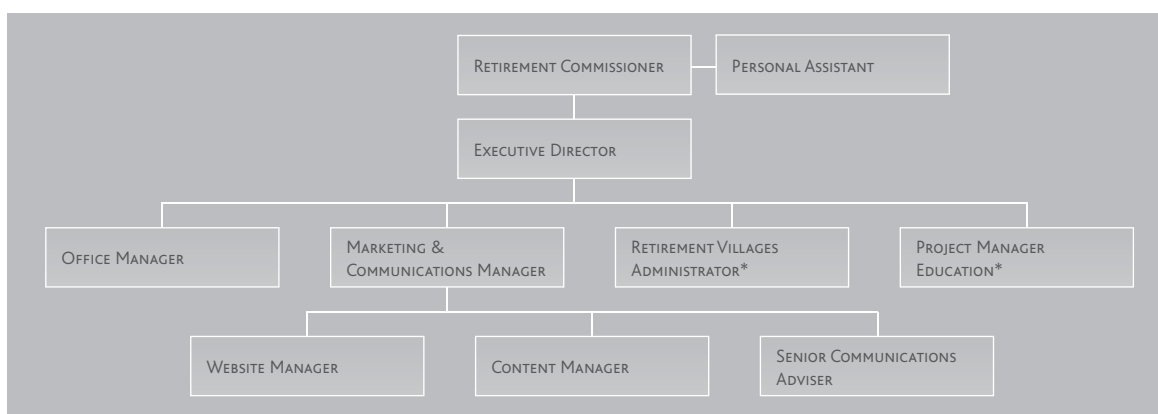
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current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

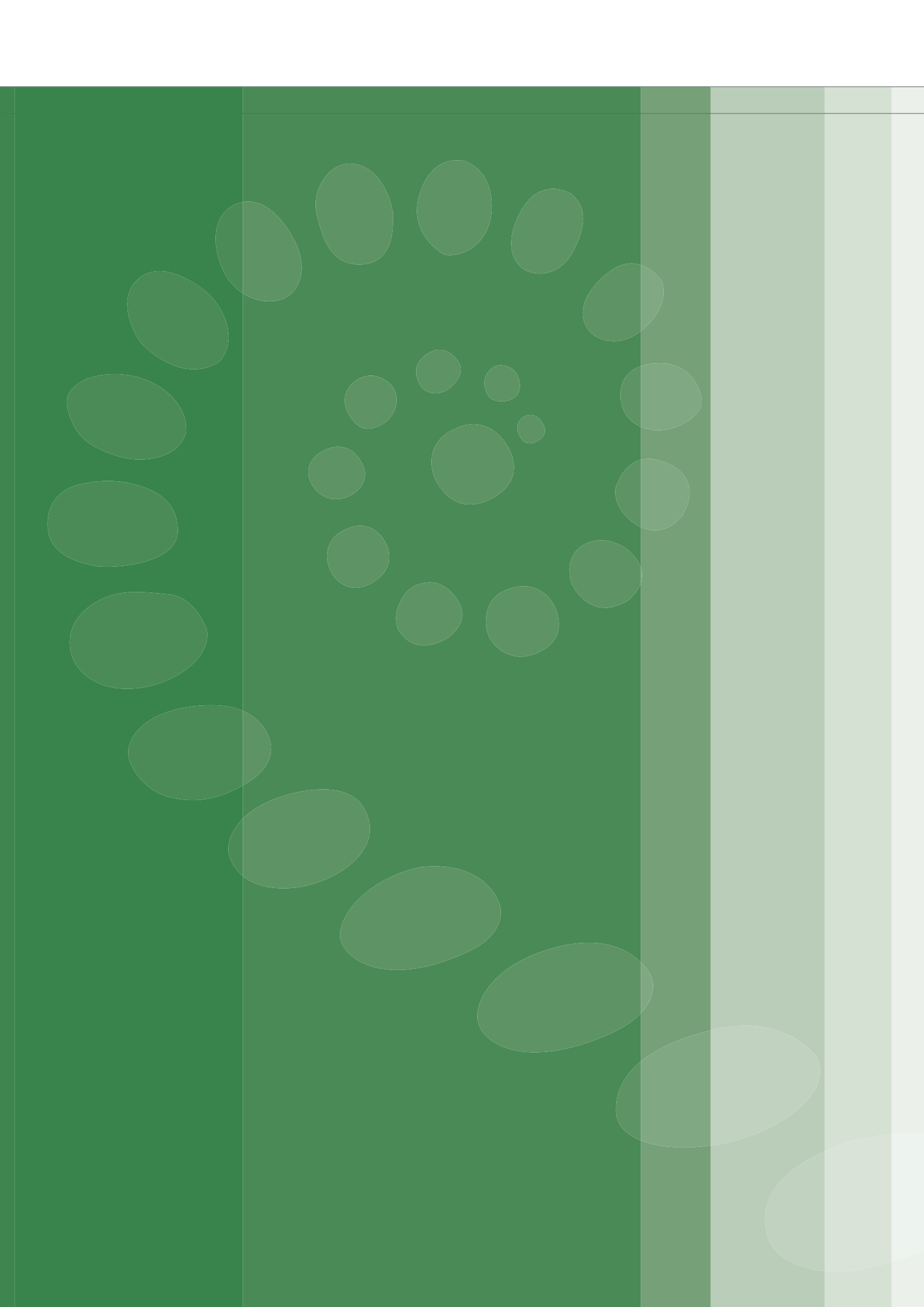
## ❖ APPENDIX

### OUR STRUCTURE

Organisation chart



\* These are temporary, contract positions.



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